DUN'S REVIEW

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THIS MONTH'S COVER

The aquatint of Charleston reproduced on the front cover was engraved by William Keenan from a drawing done by Charles Vignoles sometime between 1817 and 1823. Before that leisurely interlude in South Carolina the artist was an English army officer and a campaigner with Bolivar, South American liberator. Afterward, returning to England, he became one of the leading British engineers, specializing in railroad construction . . . . Named in honor of Charles II, the city stands on a narrow peninsula formed by the Ashley and Cooper Rivers seven miles above the Atlantic. The earliest settlement on this site was begun in 1680 by English colonists. A century later Charleston had become the largest and wealthiest city south of Philadelphia, numbering among its inhabitants many Revolutionary leaders and early American statesmen. During the Civil War Charleston was an important Confederate stronghold, and following the bombardment of Fort Sumter (one of the islands in the harbor) the city was long besieged by Federal forces . . . . This print from the Phelps Stokes collection appears through the courtesy of the New York Public Library. . . . The photograph above shows the present city and the spacious harbor which makes it a prominent coastwise and foreign shipping point for the region's cotton. Charleston's manufactures include fertilizers, asbestos, cotton bagging, and ironwork.

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DUN'S REVIEW FOR JANUARY 1938

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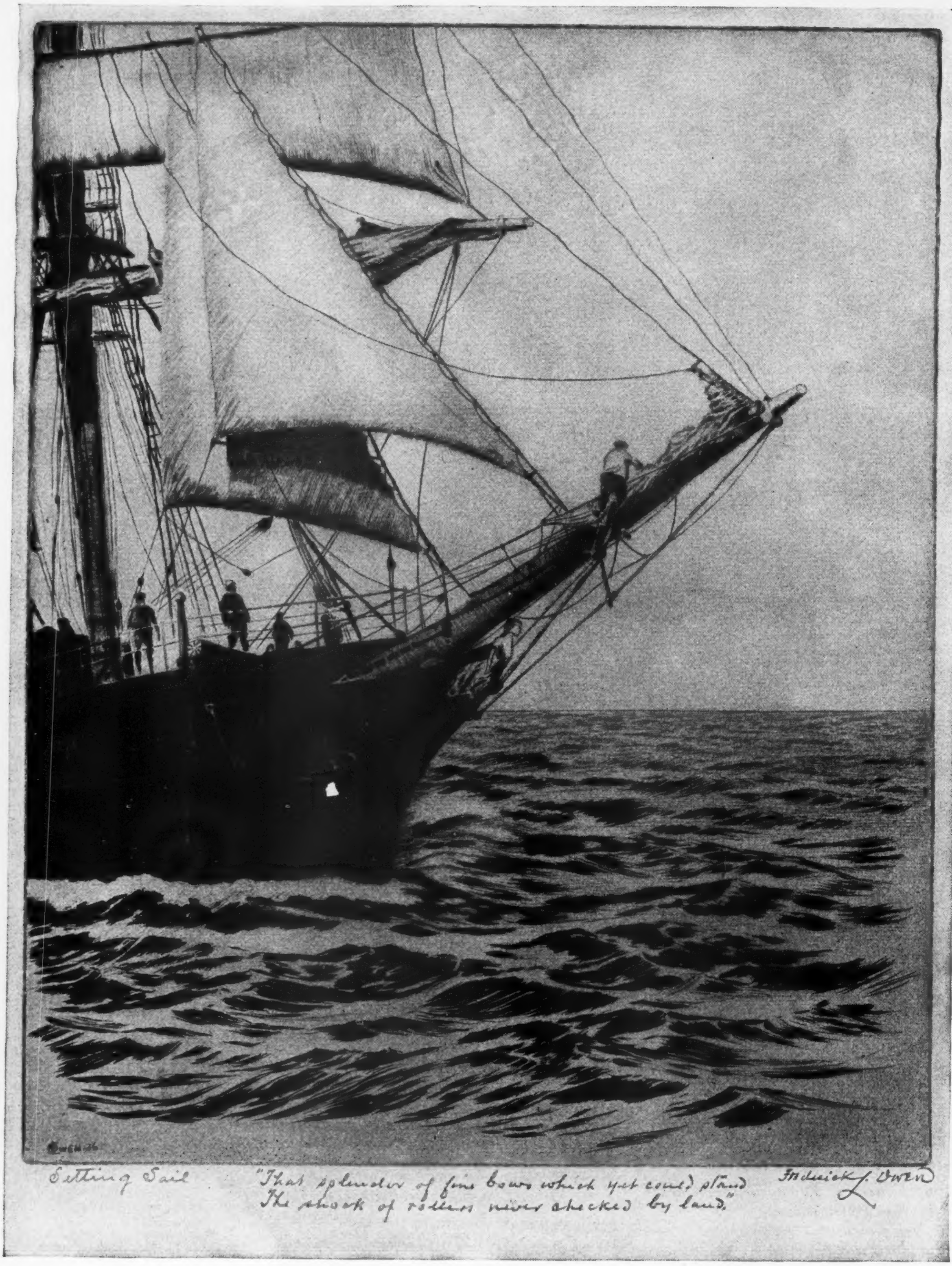
¶ For those interested in the prints of century-old cities appearing on the covers of DUN'S REVIEW, the publishers have arranged to provide mounted copies suitable for framing. Not all back numbers are available. Orders for copies of prints on current issues should be placed promptly and accompanied by check or money order. For prints set off by an appropriate French mat 13½ x 14¾ inches ready for framing the charge is $1. For prints mounted and framed, with glass, the charge is $3. If in New York City, add 2 per cent sales tax. . . . ¶ Information about subscription rates will be found on page 49. . . . ¶ Second cover photograph by Fairchild Aerial Surveys, Inc.



"Setting Sail" an original etching by Frederick L. Owen. Mr. Owen inherits his love for the sea and for ships from a family of sailors, shipbuilders, and owners. . . . This etching and others in this number of DUN'S REVIEW *are reproduced through the courtesy of Associated American Artists (see pages 9, 11, 13, and 40).*

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EXECUTIVE OFFICES
DUN BUILDING
290 BROADWAY, NEW YORK CITY
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Dun & Bradstreet, Inc.
The Mercantile Agency

Natural Reactions

A NUMBER of years ago when we had built our home in a country town in Connecticut about forty-five miles from New York, there was the threat of a general transportation strike in New England.

I was very much concerned. Our daughter was a child and as there was an epidemic in the city we did what most people would have done under the circumstances—we laid in a sufficient food supply, consisting largely of canned goods including evaporated and malted milk, to carry the family and servants through for two or three weeks. But, as usual when everyone is thoroughly convinced that a catastrophe is going to happen, nothing occurred and we found ourselves oversupplied with foodstuffs. So we followed the natural course and proceeded to consume what we had overbought.

As a result, our current purchases in the village, particularly of staples, fell off considerably for two or three weeks after the settlement of the transportation controversy.

The fear in our minds of a shortage of food supplies, particularly on account of our daughter, was not unlike the mental attitude of business men and consumers when there is a fear of a shortage in any particular products or when a general conviction, based upon certain known factors, spreads over the country that prices are going to increase substantially.

During the Summer and early Fall of 1936 the threat of higher prices for many products, due to increases in wages resulting from labor troubles and added taxes consisting of social security payments and the surplus profits tax, caused buyers to anticipate their requirements for merchandise in amounts which far exceeded the prevailing rate of consumption.

This objective—to buy before prices had advanced or before a shortage might occur because of strikes—was conspicuously evident in steel and textiles although the same basis of reasoning prompted buyers in the majority of other lines to protect themselves against an anticipated rise in price or other eventualities.

This excessive demand for goods on the part of the buyers unbalanced the market, which swung from one in fair equilibrium to a sellers' market.

While strikes were unusually widespread and wages did increase substantially in a number of lines and while prices did advance, the fear of a merchandise shortage or of still higher prices grad-

ually diminished in one line after another, starting with textiles in April or May of 1937 and extending throughout industry in general until Labor Day.

I am inclined to think that the present recession in buying, which has been obvious since Midsummer, is largely due to the same natural cause which curtailed our buying for our family needs in Westport years ago when we bought in anticipation of a shortage which did not occur.

We consumed at a normal rate through that entire period, which the consuming public apparently has done on a national scale for the entire year of 1937. There are indications of only a moderate recession in consumer buying for the first two or three months of 1938 unless something unexpected occurs.

In the circumstances, it would seem reasonable to suppose that—as overbuying was noticeable for the last month or two in 1936 and continued on for the first five or six months of 1937, and as the consumer consumption has held up throughout the full year of 1937 substantially on the same basis as in 1936, particularly during the last six months in which buying has been practically at a standstill—the goods which were overbought have probably been consumed, and that normal buying, provided employment does not go seriously below the present level, should start up after the turn of the season in the Spring and early Summer of 1938.

At the time buying was so noticeably excessive in industry, the securities market anticipated increased earnings without offsetting this optimistic expectation by discounting the effect on net earnings of the increased cost of production and materials and the higher taxes including the added payments for social security and other new taxes.

It is apparent in retrospect, that security prices, particularly in the speculative stocks, reached a very high level in August, 1937. As usually is the case under like conditions, the reaction which occurred in the stock market, due to the adverse earnings reports in a few of the most spectacular stocks, carried prime securities down with them.

For when accounts are margined the trader usually sells the securities which show the least decline to protect those which have reached the lowest point.

It is foolhardy for anyone even to attempt to predict the general course of business. But a business man may be justified in stating his own position and indicating the policy of the business with which he is associated.

At the present time we are placing one of the largest orders for durable goods which we have placed for the past ten or twelve years.

There is no serious pressure to place these orders, which might be postponed for a year or two without noticeable loss in the operation of our mechanical facilities. Instead of following the ultra-conservative course, we are placing these orders at this time as we feel that the condition of business in this country justifies this course.

We can see no fundamental weakness in the general economic conditions which warrant our not planning to obtain over a period of years, the economies which we shall derive from the installation of more efficient equipment at this time.

A. D. Whiteside

January 3, 1938.

PRESIDENT, DUN & BRADSTREET, INC.

How has this much-discussed amendment to the Clayton Act been construed?

AN ANALYSIS OF FTC ACTION ON 66 ROBINSON-PATMAN ACT CASES

BLACKWELL SMITH *and* JOSEPH H. McCONNELL

Wright, Gordon, Zachry, & Parlin

THE Federal Trade Commission in July of this year poured floods of light on construction of the Robinson-Patman Act,[1] and the spectroscopic analysis of this flood of light is not yet complete.

On July 17, 1937, orders, supported by opinions, were handed down by the Commission in the now famous Kraft Cheese[2] case and Bird[3] case. The complaints which had been issued by the Commission were in both cases dismissed. Then on July 23 the Commission, through Chairman Ayres, reported[4] to Congressman Patman on 64 cases arising under the Act, which had been disposed of by the Commission without the issuance of formal complaints. Numerous proceedings in addition are still in process, and hence not ripe for analysis.

Necessarily, in disposing of these 66 cases, the Commission construed the provisions of the Robinson-Patman Act pertinent to the particular sets of facts before it. It is fortunate that the Commission has generously made a public record of its lines of reasoning and construction justifying disposition of these cases. (The 64 cases not resulting in formal complaints will be taken up after treating the more conclusive opinions in the two formal cases.)

A. THE KRAFT CHEESE AND BIRD CASES

The complaints in the two cases were issued on the 30th day of September, 1936. The complaint against the Kraft-Phoenix Cheese Corporation, respondent, charged the corporation with violation of subsection (a) of Section 2 of the Patman Act by reason of respondent's alleged unlawful price discrimination in the form of the following quantity and volume discounts in sales to retailers:

1. On sales of packaged products: a 5 per cent discount available to retailers who buy more than $5 worth in a single purchase and to group buyers billed jointly who buy more than $100 worth in a single week.
2. On sales of loaf cheese: a 1 cent discount on purchases of from 30 to 149 pounds, an additional 1 cent for purchases of from 150 to 749 pounds, and an additional one-half cent for purchases of 750 pounds and over.

The complaint against Bird & Son, Inc., charged this corporation with violation of subsection (a) of Section 2 of the Patman Act through alleged unlawful price discrimination in the form of a price differential amounting to about 20 per cent—which favored Montgomery Ward as against ordinary retailers.

On July 17, 1937, the complaints in both cases were dismissed, and the reasons for taking such action were set forth by the Commission in memoranda opinions. We will now turn to these decisions to determine the extent to which they throw light upon certain of the perplexing problems which have arisen under the Patman Act—giving particular attention at first to the Kraft Cheese case.

I. Interstate Commerce: The first question raised in the Kraft Cheese case was whether respondent in these sales to retailers was engaged in interstate commerce. From the opinion it appears that the breaking of the manufacturer's own distribution at warehouses or State lines, when followed in part by local distribution to retailers by local sales companies of the manufacturer cannot be relied on as preventing the whole stream of distribution to the retailer from being interstate commerce. The commission followed the precedent of the Jones & Laughlin case[5] as to business upon a national scale being interstate commerce. The manufacturer's national advertising, maintenance of a force of

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[1] U.S.C.A., title 15, § 13.
[2] In the Matter of Kraft-Phoenix Cheese Corp., FTC Complaint Docket No. 2935, 2 CCH Fed. Trade Reg. Serv. §9061 (order issued July 17, 1937).
[3] In the Matter of Bird & Son, Inc., FTC Complaint Docket No. 2937, 2 CCH Fed. Trade Reg. Serv. §9060 (order issued July 17, 1937).
[4] 81 Congressional Record, p. 12456 (August 25, 1937).
[5] National Labor Relations Board *v.* Jones & Laughlin Steel Corp., 57 S. Ct. 615 (1937).

salesmen to contact retailers, distribution of part of the product directly to retailers in competition with independent jobbers, is held to add up to a total integrated business in interstate commerce, all the steps being described as "essential elements in the process of marketing these commodities." Cumulative factors supporting the conclusion of interstate commerce are the following: The manufacturer's "intent" to reach into the channels of interstate commerce to retailers; the manufacturer's "plan of doing business" as an "integrated whole;" and manufacturer's control of the retail price notwithstanding "passing of the naked legal title" through jobbers. Apart from the new concept of passing "naked legal title" through jobbers, this part of the opinion ought occasion little surprise.

II. INJURY TO COMPETITION: The focal point of the decision in the Kraft Cheese case, however, is the treatment given to the problem of injury to competition and the elaboration of a rationale on insufficient injury to competition—another rule of reason. While most discussion of quantity and volume discounts has centered on the possibility of justification thereof because representing "only due allowance for difference in the cost," etc., the Commission does not get that far in the present case (as to the discounts on packaged goods) until the case has been pretty well disposed of by consideration of possible injury to competition and a finding that none exists.

DISCOUNT ON PACKAGED GOODS: The first situation considered in the Kraft Cheese case as bearing on the question of injury to competition is the 5 per cent discount upon packaged products available to retailers who buy more than $5 worth in a single purchase and to group buyers billed jointly who buy more than $100 worth in a single week. For purposes of the discussion of injury to competition, it is apparently assumed that the cost of delivering in quantities amounting to $5 worth is not 5 per cent less than the cost of delivering smaller orders. (Later the question of relative costs is also treated.)

(a) INJURY TO MANUFACTURER'S COMPETITORS

PREVALENCE OF DISCOUNTS IN THE INDUSTRY: The Commission commences its finding that no injury to respondent's competitors has taken place with the statement that "the use of discounts similar to those used by respondent is prevalent in the industry." If this prevalency in the industry of similar discounts represents a defense to price discrimination under the heading of injury to competition, it may amount to a limited substitute for the old substantive right to meet competition as it appeared in the Clayton Act[6] and as emasculated[7] in the Patman Act.[8] Under this theory it would not seem necessary to find who started the use of the discriminatory terms under attack. It would seem sufficient if found that the discounts in question were prevalent in the industry as a whole. This is always likely to be the case almost immediately where competition is vigorous or leadership is strong, or both.

PRICES HIGHER THAN COMPETITORS: That seller's competitors are not injured is further supported by the finding of the Commission that "respondent's products are sold to the retailer at prices which in most cases exceed those of its competitors." Where the seller is a national advertiser with a preeminent trade name and prestige, he is likely always to sell at some premium over his competitors. Under this point of the opinion it would appear that the leading manufacturer thus selling his highly advertised goods at a premium is not likely to be held to injure his competitors.

Cumulative items, impliedly dealing with intent, and supporting the conclusion that there is no injury to the seller's competitors, are set forth as follows:

> " . . . no reason to infer . . . that the system of discounts . . . are used to unfairly deprive competitors of business or that it is promotive of monopoly."
>
> "Nor does such system of discounts appear to have been used to effect a lessening of competition between respondent and its competitors or to injure such competition."

(b) INJURY TO COMPETITION BETWEEN FAVORED AND UNFAVORED RETAILERS

PURCHASE OF MORE THAN CURRENT NEEDS: The first point stressed by the Commission in the Kraft Cheese case, in finding no injury to competition between retailers to exist, is that the "retailer who wishes to do so may safely buy a two or three weeks' supply at one time without fear of spoilage." This safety to purchase in advance is due to the seller's policy of exchanging new goods for any deteriorated goods. Such safety to buy advance supplies always exists with reference to non-perishables although the purchaser may not be able to afford such cumulation of his purchases. If it is an answer to discrimination to find that the purchaser who does not obtain the larger discount is nonetheless permitted, so far as the seller is concerned, to buy more than he needs at one time and thereby shift himself into the larger quantity discount bracket, a flexible joint is provided between quantity brackets where the seller is willing to sell at the quantity discount to any purchaser who orders the quantity. Doubtless there would be a limit to this theory where the purchaser could not possibly, even on a long-term basis, find use for the larger quantity. In such case the Commission might find injury to competition and be thrown over to the question of justifiability under the cost clause.

ALLOWANCE TO INDUCE LARGER ORDERS: The Kraft Corporation maintained a system of truck delivery designed to insure freshness of product when delivered and to facilitate return of unfresh products. This system the Commission finds to be "by nature expensive." The fact that the discount on $5 purchases "was intended to make

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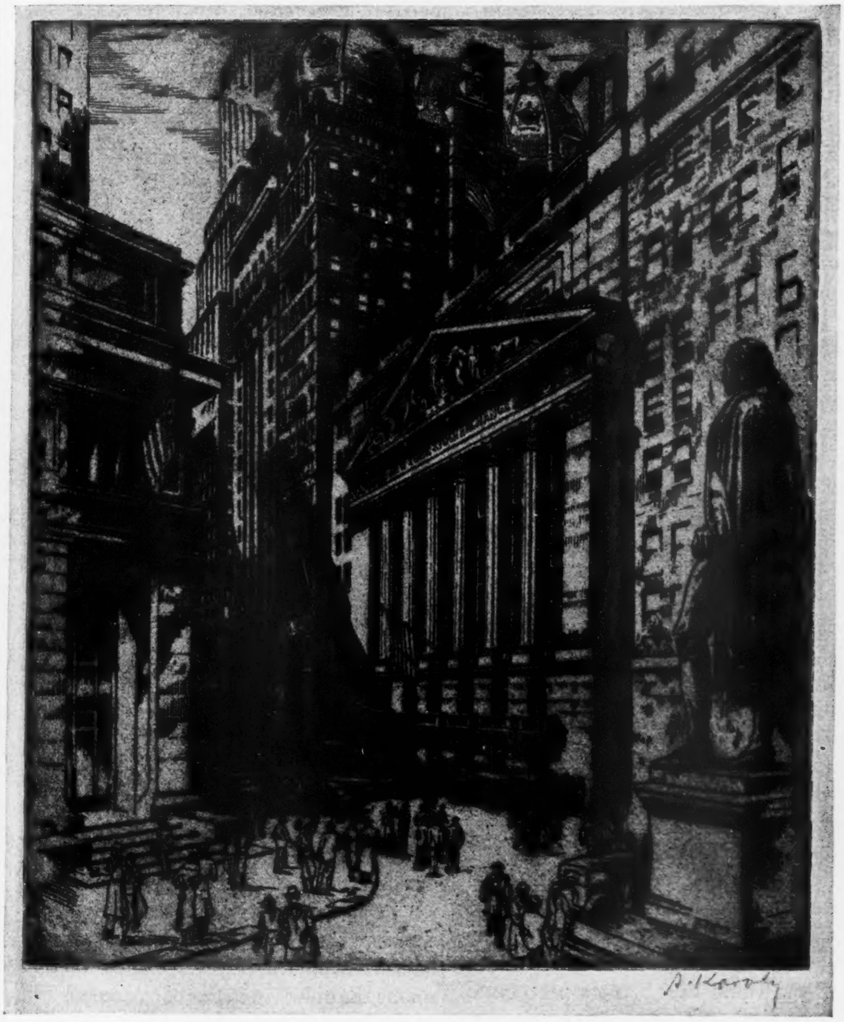
[6] " . . . *Provided*, that nothing herein contained shall prevent . . . discrimination in price . . . made in good faith to meet competition."

[7] For discussion of this attempted emasculation, see speech of T. M. Gordon in Conference Proceedings on Robinson-Patman Anti-Discrimination Act (1936) at 32 *et seq.*

[8] The prevalency in the industry of similar discounts possibly would not justify the discounts where injury to competition among retailers—as distinguished from competition among manufacturers—exists.



"Broad and Wall," an original etching by Andrew Karoly.
(Courtesy of Associated American Artists, New York.)

sales large enough to justify such a method of delivery" and make it "economically possible" is given considerable weight as "a reasonable policy in the promotion of competition."

That the retailers who do not receive this discount are not thereby subjected to "any perceptible injury" is concluded on the basis of (a) the fact that prices to ultimate consumers vary several times as much as the discount in question, and (b) that the profit margins of retailers who receive no discount are "apparently adequate."

Resale Prices Not Following the Discount: With reference to variation in the resale price exceeding the discount, it is found that the resale price varies as much as 2 cents or 3 cents, whereas the difference in the purchase price because of the discount, amounts to only three-quarters of a cent. It is also found that there is no apparent correlation between receipt of the discount and the variation in the resale price—concerns which did not receive the discount sometimes selling at the lowest resale prices and concerns which did receive the discount sometimes selling at the highest resale prices. Other factors, such as character of the store, buying power of the customers, importance of trade in the particular product, and nearness of competing stores, are found to be alternative causes of the particular resale prices to the extent that the discount cannot be considered as governing the resale price.

Diversion of Trade: The Commission also stresses the fact that even where the resale prices do vary on the packaged goods, there is "no appreciable diversion of trade." Diversion of trade is stated generally to be one of the possible elements of injury to competition resulting from price discrimination, but it is said that such diversion "can only be attributed to price differentials, if such differentials exercise a perceptible influence upon retail prices."

Impairment of Profits: As to injury by impairment of the profits of competing retailers, the Commission is satisfied by finding that the profit margins of the retailers who did not receive the discount are "apparently adequate." This conclusion is based upon the fact that retailers testified that they were "satisfied," and by the fact that their margins on these products, without the discount, were roughly equivalent to the "average margin in the sales of grocery products." Cumulative importance is attributed to the fact that these products turn over more rapidly than the average. Injury by impairment of profits is apparently to be minimized if the competitor is not under the necessity of selling at a loss. In this case the competitor who does not receive the discount is under the necessity of "at most the receipt of a somewhat smaller profit." This effect upon profits is found to be negligible since the aggregate annual discount involved to a small retailer purchasing a reasonable amount is found to be $6.50. The Commission finds that "such remote and minute effects upon the income of certain competitors cannot be regarded as injurious to competition within the meaning of the Statute."

Discount to Group Buyers: The

5 per cent discount to group buyers billed jointly who buy more than $100 worth per week is thought to make a discount available to individuals whose purchases individually are too low to earn a discount. This is given importance as reducing disparities. The Commission does not find important the fact that this reduction operates only on behalf of group buyers.

INJURY TO COMPETITION IN UNPACKAGED GOODS: The Commission finds in the case of loaf cheese that since the difference in price between those who buy in the two upper brackets as against those who buy in the two lower brackets is "justified by cost, there is no need to examine further the question of competitive injury which may arise from this difference." (See discussion infra; Comparison of Costs with Discounts.) Proceeding, however, to the price differences between the lowest and next lowest brackets the Commission takes up the question of injury to competition. It finds that the difference of 1 cent a pound between the two lowest brackets is analogous to the 5 per cent discount in the packaged cheese, which has already been supported by the Commission's finding that it represents a "reasonable policy in the promotion of competition"—intended to make sales large enough to make such a method of delivery economically possible. Finding that the considerations as to injury of competition in this case work in the same way as in the case of packaged cheese, thoroughly discussed, the Commission concludes that "this discount cannot be held injuriously."

A reasonable "presumption" is erected and relied upon in the case of the one-half cent per pound differential between the two highest brackets. Disposing of this with relation to the 1 cent differential just discussed between the two lower brackets, the Commission states:

> "This smaller rate of discount may be presumed to be of even less significance as a possible source of injury to competition, and nothing appears in evidence to counteract this presumption."

Here, as in the case of costs, hereinafter treated, the use of a "presumption" in favor of the differential is very interesting.

III. COMPARISON OF COSTS WITH DISCOUNTS: In the Kraft Cheese case, as noted above, in selling loaf cheese (unpackaged goods) there were four brackets, and the buyer in the highest bracket paid 2½ cents a pound less than his competitor in the lowest bracket. The method of delivery varied only between the two upper brackets and the two lower brackets. Purchases in the two lower brackets were handled from the truck while those in the two higher brackets were handled direct from the warehouse.

In this case (unpackaged goods), for unspecified reasons, the question of cost differentials is faced first and foremost, without preliminary consideration of the question of whether there is injury to competition. In so doing the Commission finds that there is no way of allocating accurately the difference between the costs of delivery from the truck of unpackaged goods as against packaged goods and therefore makes a comparison based on the assumption that the cost of delivering loaf cheese from the truck is equal to the "average cost of delivery of all products by this means." On this basis the cost difference between the two methods of delivery would be 3.7 cents per pound against the 2.5 cents maximum discount variation between the top bracket and the bottom bracket.

The Commission then makes use of a "reasonable presumption" in favor of the discount. This is interesting in view of Section 2 (b) of the Act which provides in part as follows:

> "(b) Upon proof being made, at any hearing on a complaint under this section, that there has been discrimination in price or services or facilities furnished, the burden of rebutting the *prima facie* case thus made by showing justification shall be upon the person charged with a violation of this section, and unless justification shall be affirmatively shown, the Commission is authorized to issue an order terminating the discrimination."

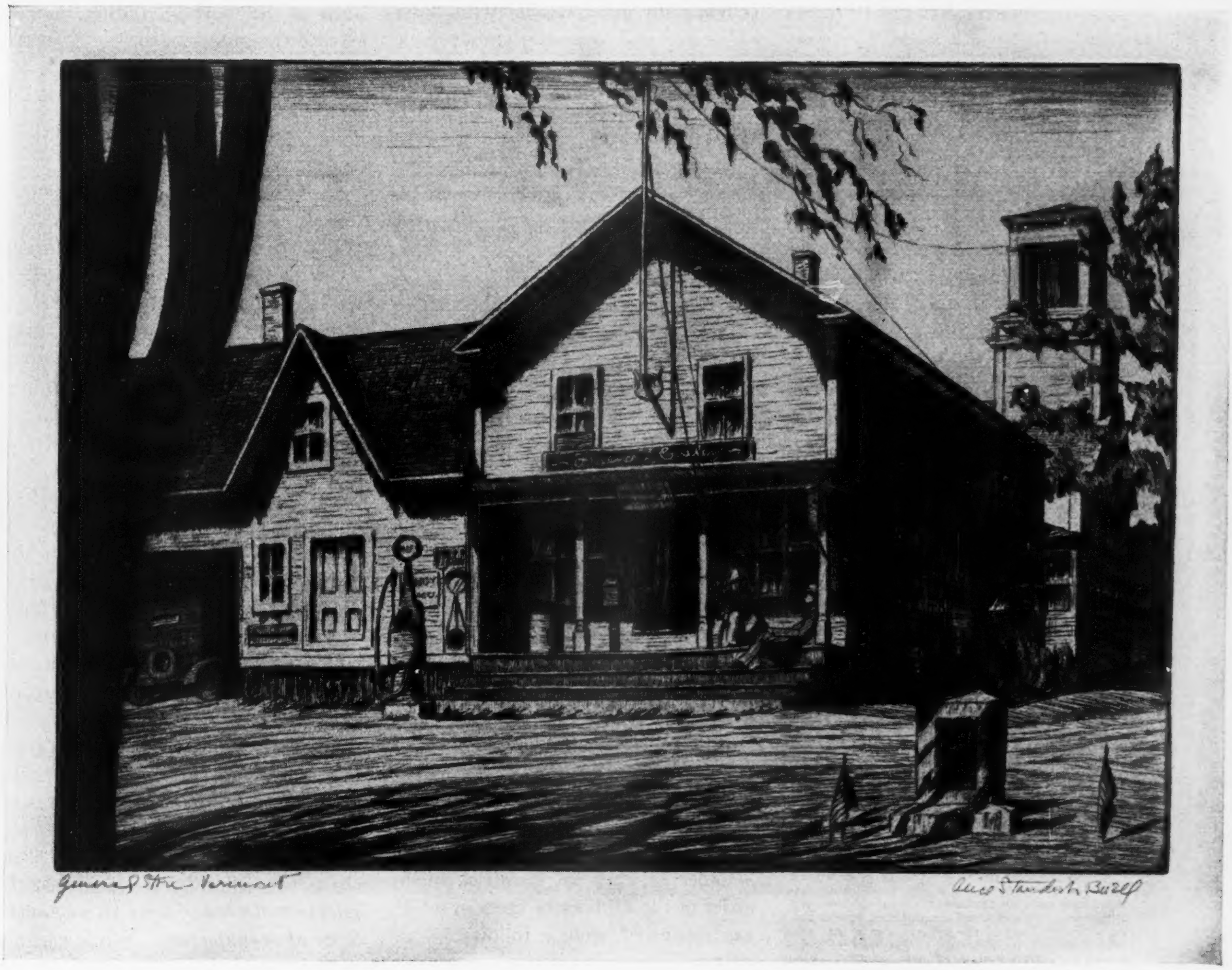
The Commission finds a "reasonable presumption" in favor of the seller that the 3.7 cents difference between the average cost of truck deliveries and the cost of warehouse deliveries "would justify the entire difference of 2½ cents per pound" between loaf cheese delivery from the truck and delivery from warehouse. The strength of the Commission-created presumption based on averages is emphasized by the following conclusion of the Commission:

> "The practical impossibility of making an accurate allocation of costs to each kind and amount of product delivered from the same truck is no ground for ignoring this reasonable inference."

In the Bird case the Commission accepted cost figures for selling "ordinary retailers" (apparently average) against like figures for selling "mail-order houses."

IV. "DISCRIMINATION;" COMPARISON OF PRICES TO DIFFERENT PURCHASERS; RETAILERS SOLD DIRECTLY VS. THOSE SOLD INDIRECTLY: In the Bird case the Commission had attacked a price difference between ordinary retailers and Montgomery Ward amounting to about 20 per cent. The sales to ordinary retailers had been discontinued by the time the case could be tried leaving only sales to jobbers and to mail-order houses, all at one price. The most basic proposition in the opinion deciding this case is that this resulting sales policy "is not one of discrimination in price between or among the only two classes of customers they have chosen to sell."

In the Kraft Cheese case, however, the Commission adds a point of considerable interest to any concern engaged in direct contact with retailers who buy from jobbers, especially where the manufacturer endeavors to control the jobbers' resale prices. It has been assumed that to check for discrimination under the Act one need only compare prices between different "purchasers" *from the seller* whose practices are under examination. Section 2 (a) condemns a discrimination in price "between different purchasers". However, under this opinion, where the manufacturer sells only to jobbers and to chain stores directly, but accompan-



"General Store, Vermont," an original etching by Alice S. Buell. (Courtesy of Associated American Artists, New York.)

ies the sales to jobbers with suggested resale prices and "missionary work with retailers" whose orders are personally solicited by the manufacturer's salesmen and turned in to the jobbers, comparison between the price to the independent retailer purchasing through jobbers and price to the chain seems to be required. This is a point unnecessary to have been decided in the Kraft Cheese case, but seems to be implicit in the following statement in the opinion:

> "A retailer who purchases respondent's goods from jobbers and wholesalers is considered by the Commission to be a 'purchaser' within the meaning of the Robinson-Patman Act as well as retailers buying direct. This is because of the fact that respondent recognizes the retailers buying through jobbers as customers by personally soliciting them and by making effective its price policies and schedules as applied to them. A retailer is none the less a purchaser because he *buys indirectly* if, as here, the manufacturer deals with him directly in promoting the sale of his products and exercises control over the terms upon which he buys." (Underscoring supplied.)

Selection of Customers: It should be noted in this connection that the decision in the Bird case seems somewhat inconsistent with that in the Kraft Cheese case, or at least marks an extension of a theory that the Commission somewhat qualifies in the latter case. In the Bird case "purchasers" in the form of retailers who were sold "indirectly" through jobbers were not compared with the mail-order house purchaser, who, of course, also operated retail stores. The decision in that case was backed up by strong propositions such as: "the Act does not purport to interfere with the right of a seller to select his customers. He may discriminate in the choice of his customers. Not until there is a discrimination in price among those chosen does Section 2 (a) of the Act have any application."

The Kraft Cheese case seems to qualify this proposition by this further proposition: that selection of retailers (other than mail-order houses) to sell

to directly, does not free one from the necessity of comparison with retailers not selected, where the manufacturer contacts any other retailer who "buys indirectly" and controls prices on resale to such retailers.

B. THE SIXTY-FOUR CASES

I. General Analysis: Most of the 64 informal cases, as indicated by the report of the Commission, arose under Section 2 (a) of the Act. It is possible, to some extent,[9] to break down these cases into classifications according to the particular words or phrases with which the Commission was concerned in passing on the factual situation before it, but it should be noted that in a great many of the cases the Commission had before it facts which involved construction of more than one word or group of words in the Act, and for that reason there was an overlapping which precludes the possibility of allocating each case neatly to only one clear-cut classification. Likewise, eleven[10] cases were disposed of by the Commission because of lack of evidence of the facts which complainants had alleged to be in violation of the Act.

Excluding the cases of insufficient evidence, the most often used ground for dismissal was *lack of injury, i.e.,* that the acts complained of did not

> "injure, destroy, or prevent competition with any person who either grants or knowingly receives the benefit of such discrimination, or with customers of either of them."[11]

In thirteen[12] cases lack of injury to competition was the sole, or one of the grounds for dismissal of the case.

The next most frequent ground for dismissal was *lack of interstate commerce, i.e,* that the acts complained of did not involve interstate commerce. There were eleven[13] of these cases.

Other grounds for dismissal, in the order of the number of cases in which each appeared, were as follows:

Only due allowance...	10 cases[14]
Meeting competition ..	8 cases[15]
No discrimination.....	7 cases[16]
Act inapplicable.......	4 cases[17]
Not like grade and quality	3 cases[18]
Selection of customers.	1 case [19]
Changing market conditions	1 case [20]
Miscellaneous cases under Sub-section 2 (a) and other Sub-sections	12 cases[21]

There were only two cases[22] presenting facts which necessitated some construction of Section 2 (c) of the Act in regard to brokerage allowances.

Consideration follows of each of these groups of cases, high-lighting some of the more interesting cases in each of the groups.

II. Interstate Commerce: The Act provides that it shall be unlawful

> "for any person engaged in commerce, in the course of such commerce, either directly or indirectly, to discriminate in price," etc.

The three most interesting* cases, throwing light on interstate commerce, were the following: In the first of these three cases[23] there was a maximum price difference of $2.25 per gross of deodorant blocks where the price on the blocks ranged from $8.25 to $11 per gross. There were only five sales in interstate commerce, however, to competing customers during the four months' period, and the Commission stated as one of its grounds for dismissal that the number of sales in interstate commerce was too small to justify continuation of the investigation.

In the two other cases[24] the Commission shed some light on its construction of the words of the Act "engaged in commerce, in the course of such commerce." In one, the Commission stated that the *unfair practices complained of* did not involve interstate commerce. In the other, involving a retail drug chain, the Commission stated that *the sales complained of* were all *within the State of manufacture.* While it is not entirely certain from the report that the manufacturers involved in the two cases were, in general, engaged in interstate commerce, it seems fairly clear from these two cases that the Commission limited itself to acts which were themselves in interstate commerce, by

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[9] The Commission's report on each of the cases is brief and not at all times completely definite in specifying a particular portion of the Act justifying the dismissal. For that reason, the authors have necessarily made their own conclusion as to the grounds for dismissal in many of the cases. Others, in some instances, might arrive at different conclusions. It should be remembered, however, that in a great many cases the Commission had before it several grounds involving some construction of more than one word or group of words under the Act and that in so doing perhaps the accumulated weight of all the grounds influenced the Commission in its conclusions. For that reason, one rather interesting case which is discussed elsewhere (see discussion under "Justified Discrimination") is set forth below in full, to illustrate the method of treatment employed in the report:

"Section involved: 2 (a)—Price discrimination.

"Commodity: Medicine (laxative).

"Facts: A manufacturer which had sold to all customers at the same price regardless of trade status or quantities revised its sales policy, establishing functional and quantity discounts. Under the new plan, wholesalers who purchased quantities of $100 or more received a discount of 2½ per cent greater than those who purchased in quantities of less than $100, and quantity discounts were based upon individual orders. The commodity was subject to deterioration through long storage. Customers who had formerly purchased relatively small amounts were not permitted to purchase in quantities of $100 or more in order to take advantage of the higher discount because the manufacturer felt that such quantities were more than those customers could sell before the products were injured by deterioration. It was felt that the sale of deteriorated merchandise to the public would seriously injure the business of the manufacturer.

"Investigation disclosed that the discount terms and quantity limits were applied uniformly to all wholesale customers. Cost data submitted indicated that the quantity differential was justifiable on the basis of differences in the cost of selling and delivering. The manufacturer also granted discounts to retail customers on a graduated schedule based on quantities. Similar justification and uniform application of these discounts was shown.

"The file was closed because the discount differentials did not result in injury to competition and apparently were justified by differences in cost; and because the manufacturer's refusal to sell in larger quantities than a customer could dispose of before the merchandise deteriorated was a reasonable measure for the protection of the public and of its business and good will."

An analysis of the facts in this case would indicate that there were four grounds for dismissal. They are, first, that there is no discrimination, since the discount terms and quantity limits "applied uniformly to all wholesale customers," second, there was no injury to competition, third, there was only due allowances because the differentials were justified by differences in cost of selling and delivery, and, fourth, the refusal to sell in larger quantities than a customer could dispose of before deterioration was "a reasonable measure for the protection of the public and of its business and good will."

[10] Cases 6, 8, 10, 22, 23, 54, 55, 57, 58, 59, 60.
(Ed. The 64 cases, as reported by the Commission, were not numbered. For ease in reference, the authors have numbered them consecutively as they appear in the report.)

[11] Section 2 (a).

[12] Cases 1, 4, 15, 24, 30, 32, 34, 38, 39, 42, 43, 48, 62.

[13] Cases 19, 20, 21, 28, 29, 34, 35, 36, 51, 61, 63.

[14] Cases 1, 3, 4, 11, 12, 16, 24, 26, 43, 50.

[15] Cases 1, 5, 7, 11, 21, 27, 43, 48.

[16] Cases 24, 30, 33, 37, 41, 48, 56.

[17] Cases 9, 14, 42, 47.

[18] Cases 17, 31, 38.

[19] Case 40.

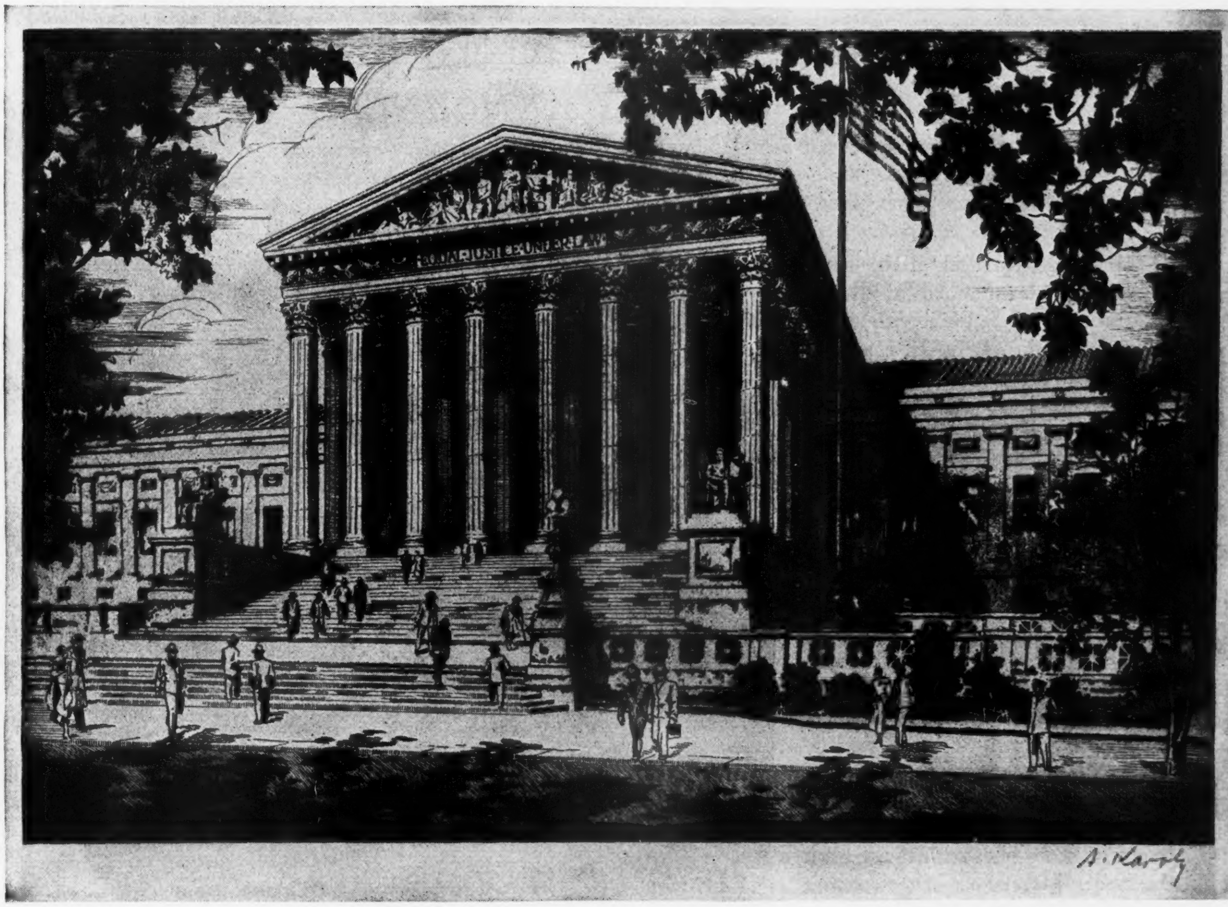
[20] Case 33.

[21] Cases 2, 13, 18, 25, 38, 44, 45, 46, 49, 52, 53, 64.

[22] Cases 45, 53.

* In general, in the eight other cases in which lack of interstate commerce was one of the grounds for dismissal, the Commission's statement to that effect throws no light on the difficult borderline cases which constantly confront the business man.

[23] Case 34. [24] Cases 29, 35.



"Supreme Court," an original etching by Andrew Karoly.
(Courtesy of Associated American Artists, New York.)

implication passing by acts in intrastate commerce, even though practised by a manufacturer engaged in interstate commerce.

III. DISCRIMINATION: Most of the cases involving "no discrimination" are discussed under various other classifications. One interesting one,[25] however, similar to the Bird case, was the following: A manufacturer of radio tubes was charged by a retailer with selling to certain large retailers at distributors' prices. The investigation disclosed that the manufacturer sold all radio tubes to all customers at the same price and that among its customers were ten retailers. The implication was that the manufacturer did not sell to smaller retailers and that the complainant was one of these smaller retailers. The case was dismissed by the Commission since there was no discrimination, the manufacturer charging all its purchasers the same price.

IV. LIKE GRADE AND QUALITY: The discrimination prohibited in Section 2 (a) of the Act is one between purchasers "of commodities of like grade and quality." The Commission had two cases before it in which it construed this term. In one,[26] a chain store got a concession on handbags varying from 5 to 7 per cent under the charge usually made to retail stores for the same *type* of merchandise. However, it was indicated that the handbags sold to the chain were not "like" the handbags sold the other retailers in that, specifically, the handbags sold the chain were designed to match shoes sold by the chain and bore the same private brand or trade-mark.

In the other case,[27] a manufacturer of hats sold to a large customer at a 5 per cent extra discount. The evidence available indicated that the merchandise sold

> "consisted of assortments containing slow-moving styles, small sizes, less-expensive trimmings, and dyes which are less expensive to apply."

V. ONLY DUE ALLOWANCE FOR DIFFERENCES IN THE COST OF MANUFACTURE, SALE, OR DELIVERY: The Commission indicates by its action here, as in the

(Continued on page 45)

[25] Case 37. [26] Case 31. [27] Case 38.

LONG-TERM STATE AND LOCAL DEBT

1937 FIGURES ANNOUNCED

EDNA TRULL

State Analyst, Municipal Service Department
DUN & BRADSTREET, INC.

THE long-term debt of the forty-eight States attained an all-time peak in 1937 of $3,184,467,709. Distributed among four dozen commonwealths with varied resources and broad taxing powers, however, a $3,000,000,000 debt does not appear particularly formidable. This is a gross figure, moreover, and after deduction of sinking funds and money borrowed for self-supporting enterprises the principal amount chargeable to future taxation shrinks to $2,528,300,498.

The real significance of the present total of State debt lies rather in its rapid upward swing, in its relation to a vastly greater local public debt which must be paid from the same wealth and resources, and in the uneven distribution of the total in relation to ability to pay.

The bulk of State debt is of relatively recent origin. The net increase from the modest $341,000,000 of 1870 to 1912 was only 6 per cent. In the decade following 1912, however, the increase was 205 per cent and the next ten years saw a further upward trend of 134 per cent. Since 1930 the gross total has grown 34 per cent more. During the past twenty-five years, State debt has been multiplied almost ten times.

The dominant influence in this precipitate rise in State debt has been, of course, the need for financing the rush job of constructing a modern highway system. Other special factors have also contributed notably, including soldiers' bonuses and other veterans' aid undertakings, rural credit experiments, and the emergency requirements of the depression. It is only since 1930, however, that the volume of highway borrowing has been overshadowed by other loans. Since then the depression demands for direct relief, emergency public works, and deficit financing have assumed the leading rôle.

KEYSTONE

Oldest civic building in the United States. Old Town Hall in Marblehead, Mass., has looked out upon 200 years of increasingly important, and expensive, governmental activity.

While approximately $1,500,000,000 in new State bonds were sold from January 1, 1931, through September 30, 1937, the increase in net, tax-supported debt was slightly less than half this amount, as the following comparative figures show:

	Gross Bonded Debt	Net Bonded Debt
1930.....	$2,372,641,765	$1,866,955,003
1937.....	3,184,467,709	2,528,300,498
Percentage Increase.	34.25	35.42

The increase in net debt was participated in by twenty-seven States, while eighteen reduced their debts and three had no change.

The exigencies of the depression accounted for the sale of $425,000,000 State bonds for unemployment relief, not including large amounts for emergency public works, and for nearly $100,000,000 bonds to fund operating deficits; but highway debt still accounts for nearly half the total outstanding. The present gross State debt, by purposes, may be briefly summarized as follows:

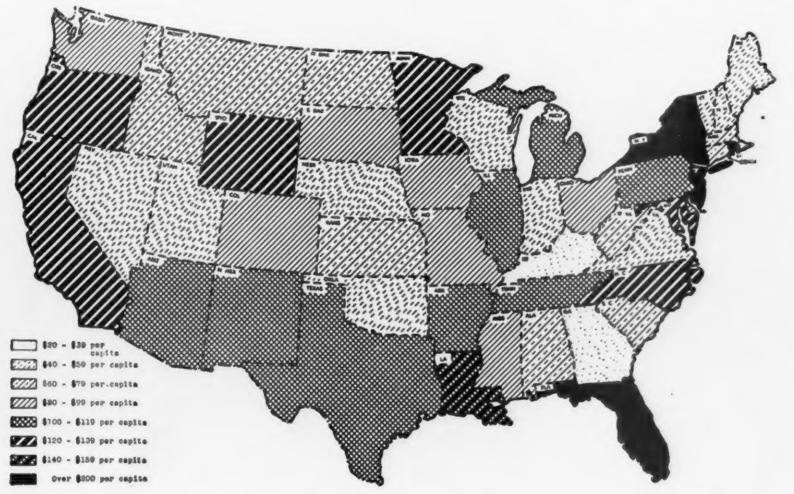
	Amount	Per Cent of Total
Highway, bridge, etc. . .	$1,444,528,432	45.36
General improvement . .	623,590,240	19.58
Revenue producing enterprises	479,321,977	15.05
Veterans' bonus, etc.* . .	189,878,760	5.96
Deficit funding	112,846,000	3.54
Relief	334,294,600	10.49
Total	$3,184,467,709	100.00

* One large group of bonds issued exclusively to benefit veterans is included with the revenue enterprises. If this is added to the figures shown for veterans, the latter becomes 8.6 per cent of the total.

When the local public debt is added to that of the States, the total future charge against the State-local tax system looms up as a responsibility of no mean proportions. The fact that there are some 175,000 local governmental borrowing units in the United States suggests the difficulty of securing complete and accurate data on the local debt outstanding. The last complete record available, that of the Census Bureau with figures for 1931 and 1932, gives the total local debt as $16,680,567,000 gross and $15,215,881,000 gross less sinking funds. The latter figure still includes debt incurred for self-supporting public service enterprises, a relatively large item which requires deduction in determining the actual tax-supported debt and in placing the debts within the several States on a suitable basis for comparison of debt burdens.

The estimated local net tax-supported debt, based on 1936 and 1937 data, is $12,071,010,000, or $93.99 per capita. This figure is a compilation from State reports, DUN & BRADSTREET municipal credit surveys and files, official reports of individual governmental units, and data from reliable reporting agencies, combined with careful estimates and with analyses of thousands of operating statements of public service enterprises.

The grand total of State and local net tax-supported debt is $14,599,310,498, or $113.68 per capita. Because of the unequal distribution of debt obligations, however, there is little to be gained by consideration of the total in relation to the totality of State resources. For realistic analysis it is necessary to deal with the debt of each State separately.



STATE AND LOCAL NET TAX-SUPPORTED DEBT PER CAPITA

(In Dollars)

	Direct State	State and Local		Direct State	State and Local
Alabama	25.52	61.78	Nebraska	....	49.85
Arizona	.46	108.56	Nevada	7.25	57.25
Arkansas	77.44	103.83	New Hampshire	19.83	52.69
California	18.20	139.49	New Jersey	22.02	200.03
Colorado	25.76	84.15	New Mexico	39.49	100.44
Connecticut	....	78.90	New York	41.55	266.06
Delaware	11.92	85.20	North Carolina	39.33	122.78
Florida	....	274.05	North Dakota	31.44	67.06
Georgia	8.78	26.62	Ohio	.83	93.03
Idaho	3.28	76.06	Oklahoma	4.72	49.40
Illinois	25.89	106.81	Oregon	29.50	129.45
Indiana	1.16	46.79	Pennsylvania	11.80	109.24
Iowa	2.59	80.25	Rhode Island	41.05	151.18
Kansas	11.39	61.73	South Carolina	23.40	66.90
Kentucky	.86	30.66	South Dakota	53.35	95.25
Louisiana	53.32	144.42	Tennessee	40.22	104.82
Maine	31.77	59.31	Texas	2.79	100.16
Maryland	28.84	130.81	Utah	6.27	58.64
Massachusetts	6.53	79.08	Vermont	20.63	51.94
Michigan	5.49	117.45	Virginia	6.61	49.60
Minnesota	46.53	120.00	Washington	7.83	89.48
Mississippi	23.42	84.77	West Virginia	41.81	68.08
Missouri	30.31	83.26	Wisconsin	.40	51.87
Montana	17.45	79.75	Wyoming	13.30	127.60

Per Capita Basis

For purposes of broad comparability, State and State-local debts are placed on a per capita basis. This process indicates the size of the debt, rather than the debt burden. The extent of the debt burden is influenced by a number of factors which may be classified as resources for meeting debt. Population is an important one of these factors, and a particularly convenient one to use in simplifying the debt problem for discussion. A consideration of per capita net debt, therefore, is only a first step in evaluating the debts of the States.

Thus simplified, the State debts present a wide range. Two States report no debt; one has a debt of $0.40 per capita; another has a debt of $77.44 per capita. Excluding the no-debt States, one commonwealth has an obligation 194 times as large as another. More than one-third of the States have debts of less than $10 per capita and the median is a moderate $17.83, but ten States have per capita debts in excess of $30. Per capita debt figures for 1937 are shown in the accompanying table.

While the direct State debt constitutes the legal obligation of the respective units, any practical consideration of debt must concern itself also with the underlying public debt. The obligations of counties, cities, towns, villages, and special districts of various

kinds have proved in some instances to have vitally affected State finances. The inter-relationship may be summed up briefly in the obvious fact that the same individuals, the same wealth and resources, support the debt and that undue pressure on one hand weakens the position of the other. Because the municipalities are creatures of the State, subject to its authority and limited to the powers delegated by it, they also look to it for assistance. The delegations of power unfortunately, have too often been excessively generous with respect to the right to borrow, but not correspondingly liberal in the right to tax. The States have permitted the accumulation of local debt, in many instances, without permitting a tax base sufficiently broad to support the debt. Even before the emergency of the depression made this discrepancy distressingly apparent, the local burden was being forced back in various ways upon the States, with their wider powers of taxation.

Local Debt

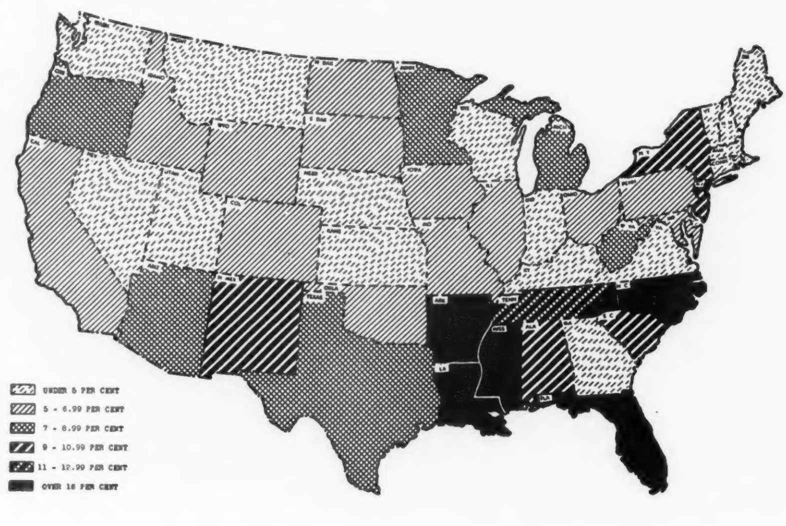
The combined State and local debt for each State, on a per capita basis, is also given in the table on page 15, and the distribution among the States is shown graphically in the chart above it. The fact that Florida, with no debt of its own, is the State with the highest combined debt, indicates that local units do not necessarily follow the State practice. On the other hand, it is not true that all States with low direct debt have relatively high local debt. That no such simple correlations occur is evident from examination of the table.

The most typical combined net debt figure is the median for the States—$84.46—with twenty-four States above and the same number below it. The range, however, is from Florida, with $274, to Georgia, with $26. The combined debt of New York, $266, is second highest, followed by New Jersey with $200. From these there is a drop of almost $50 to Rhode Island with $151. Louisiana is also well above average with $144, California with $139, and Maryland with $131. At the opposite extreme are twelve States which fall below $60—Georgia, Indiana, Kentucky, Maine, Nebraska, Nevada, New Hampshire, Oklahoma, Utah, Vermont, Virginia, and Wisconsin.

Per capita debt figures, as has already been emphasized, are an indication of the size of the debt rather than the burden of the debt. That the States differ widely as to wealth and therefore as to taxpaying and debt paying ability, requires no elaborate demonstration; but the precise evaluation of these varying capacities is a highly involved undertaking. It must be stated, therefore, that the following discussion of how, relatively, the present debt liabilities of the States compare with their resources offers only tentative results and recognizes the many ramifications which prevent exact appraisal.

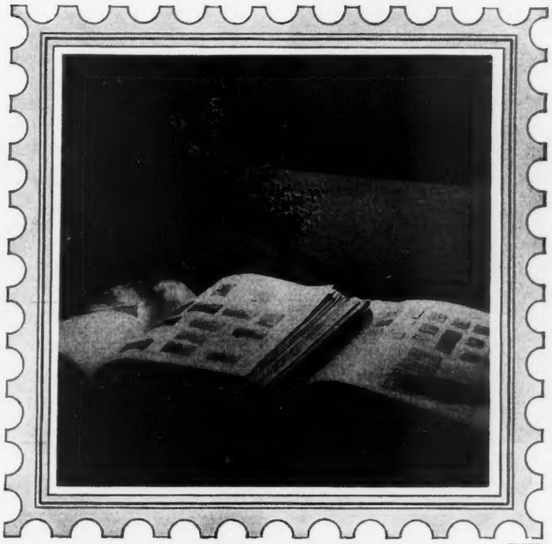
The tradition-honored procedure of relating debt to assessed valuation as a

(Continued on page 42)



Ratio of State and Local Net Tax-Supported Debt to Index of Debt Paying Capacity

	Index	Ratio		Index	Ratio
New York	2,845	9.35	Iowa	1,384	5.80
California	2,689	5.18	Missouri	1,366	6.09
Nevada	2,603	2.20	Nebraska	1,364	3.65
Massachusetts	2,557	3.09	Utah	1,349	4.35
Connecticut	2,553	3.09	Indiana	1,308	3.58
Rhode Island	2,416	6.26	Kansas	1,306	4.73
New Jersey	2,138	9.35	Idaho	1,285	5.92
Maryland	2,135	6.13	Florida	1,236	22.17
Delaware	2,109	4.04	Texas	1,193	8.39
Wyoming	1,901	6.71	Virginia	1,111	4.46
New Hampshire	1,894	2.78	South Dakota	1,100	8.66
Illinois	1,812	5.89	New Mexico	1,087	9.24
Montana	1,808	4.41	North Dakota	1,069	6.27
Washington	1,794	4.99	West Virginia	920	7.40
Pennsylvania	1,762	6.20	Oklahoma	911	5.42
Ohio	1,677	5.55	Louisiana	864	16.71
Wisconsin	1,676	3.09	Tennessee	822	12.75
Oregon	1,675	7.73	Georgia	790	3.37
Michigan	1,655	7.10	Kentucky	782	3.92
Minnesota	1,651	7.27	North Carolina	718	17.10
Maine	1,588	3.73	South Carolina	613	10.91
Colorado	1,587	5.30	Alabama	585	10.56
Vermont	1,583	3.28	Arkansas	551	18.84
Arizona	1,546	7.02	Mississippi	467	18.15



GLOBE

DOES STAMP COLLECTING PAY AS AN INVESTMENT?

THOMAS F. WHITBREAD

TO MOST business men the possibility that the hobby of stamp collecting could be considered a big business is remote. A stamp collector is either a seedy-looking but starry-eyed individual who goes into raptures at the discovery of a trunk in an attic untouched for fifty years, perhaps containing some elusive rarity, or an office boy who lets no wastebasket go out the door until it has been carefully sifted for the small rectangular scraps of paper which carry the mail around the world.

However, the fact that these same stamp collectors could buy out an entire issue of United States stamps printed especially for them to the tune of $360,000 within six weeks after the stamps were issued; that they could then work the value of the issue up to $1,200,000 within three months; and that the value should then, within another three months, fall to $630,000 where it stands today, all go to show that here is something which is no longer solely the delight of acquisitive children.

During the past several years the interest of capital in the stamp game has noticeably increased. Only last year two open markets for the buying and selling of stamps were organized. These exchanges publish weekly and semi-weekly bid and asked quotations on a multitude of stamp issues in much the same way as does the big board down on Wall Street. These quotations serve as a more or less accurate guide to current price trends in the stamp market, but they have not yet become well enough known to be able to serve as dictators on the going prices of specific issues. They do serve as a market place for speculators or investors buying and selling among themselves where the prospect of future profit is the motive for buying rather than the immediate profit needed by the dealer who plans to resell as soon as possible to the collector and who must expect sufficient margin to cover his overhead. This price determination still remains in the hands of the individual collector and dealer—the lack or presence of the "need to sell" of the former being pitted against the greed of the buyer in determining the price realized.

Pure Investment

Whether or not stamps have reached a point where they may be considered an investment from the point of view of the man with funds to invest, but with no special interest in them as a hobby, is open to question. That the number of collectors and dealers has grown tremendously in the past few years is well-known. This universal interest has been reflected in the countless stamp columns which are appearing in newspapers throughout the country. These, coupled with the increased advertising of the dealers, have made nearly everyone who can read conscious of the fact that stamps are a tradeable commodity.

One of the main reasons for this universal appeal is the fact that anyone may enjoy the hobby of stamp collecting. A man may spend one dollar or a million, and the man who spends a dollar will defy the millionaire to prove that, with all his stamps and expensive albums, he gets any more fun out of it than the other with his scrapbook and wastebasket gleanings. The number of collectors in the United States has been variously estimated at from two to nine million. At least 99 per cent of these must be wastebasket collectors if we can use the figures of organized philately as a guide.

The four leading collector organizations show combined memberships of only 10,000, a good percentage of which is duplicated by those who are

GLOBE

An international hobby, stamp collecting can be pursued with armchair and catalogue or while travelling in foreign lands.

members of all four. The five weekly stamp papers and magazines have a combined circulation of about 100,000, of which fully 40 per cent are subscribers to two and sometimes three of these papers. In other words, there are not more than 60,000 or 70,000 collectors in this country who care this much about the hobby, or who have a dollar a year to spend on a stamp magazine. Furthermore, there are less than 10,000 of these who have spent or will spend the three to five dollars necessary to affiliate with a national organization. In fairness we should make allowance for the fact that many of the publications are read time and again in libraries and clubs and that many who could subscribe prefer to spend that money on stamps. All in all a buying group of 500,000 may be considered as about the top figure.

This collector group is served by nearly 1,000 people who call themselves dealers, which in itself is one of the paradoxes of the stamp business. A paradox because less than 300 of this number are consistent advertisers in the philatelic press, and of that number only 123 belong to the American Stamp Dealers' Association, which is the only dealers' organization in the country. This latter figure also approximates the number of full-time dealers while the remaining 800-odd have some other form of employment or income to supplement their income from stamps.

But to be or to become a stamp dealer is one of the easiest things for a collector to do. He finds a few duplicates which he sells to other collectors at the local club meeting and shortly considers himself among the dealers' ranks. Should necessity compel him to dispose of his own collection, he will start to advertise until either his stock is exhausted or he has enough business sense to build up his small beginnings to an established success. One wholesale firm advertises in its catalogue to set up anyone in business for the small sum of fifty dollars, payable in installments. As the catalogue itself is supposed to go only to established dealers, it is evident that the distinction between collector, collector-dealer, and dealer is very vague.

Naturally, such ease in entering the dealer field is conducive to a high mortality rate, and this is borne out by one stamp paper which has been listing, for collectors' attention, ten to fifteen new advertisers a week for the last five years although the actual increase in advertising linage during the same period has been almost imperceptible. It is significant to note, however, that there have been but two bankruptcies and but few more cases of fraudulent dealing or failure among dealers all during the years of depression and recovery. In other words, while the rate of mortality is high, those who do fail are so small to start with that they are able to fold up silently and clear their few debts without causing much stir, other than the irritation to established dealers while they are advertising.

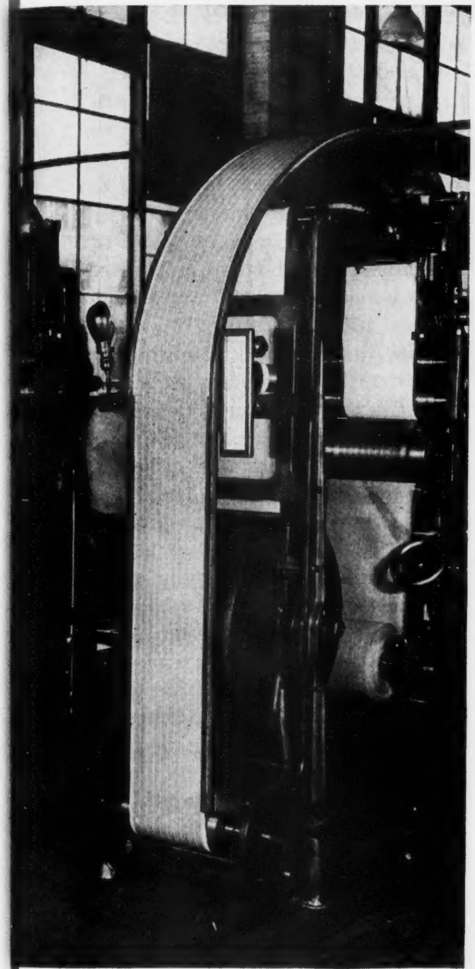
These figures do not belittle the enthusiasm or sincerity of the great mass of collectors who cannot afford to buy stamps, but they do bear weight for the possible buyer of stamps as an investment who is interested in the potential market for his material.

It might be pertinent to seek the cause of this increased interest. It was due mainly, I think, to the depression. With the curtailment of funds due to wage cuts, thousands of people had to find forms of amusement and recreation less expensive than the theater and travel of the boom years. Stamps seemed a natural outlet for spare time enjoyment at low cost, and boyhood collections were dug out of attics in ever-increasing numbers as the depression found lower and lower levels.

New Interest

The election of a stamp collector as President served to strengthen the march, and his program of issuing large and attractive stamps to commemorate historical events of our early days made many new converts. Increased collector activity also produced more dealers. During the depression many collectors who lost their jobs turned to their stamp collection as a start towards independence. Through inexperience many were forced to discontinue and return to other forms of employment. This and recovery have served to reverse the trend to some extent.

Naturally this steady stream of new blood with many vacant spaces in their albums served to keep the stamp market on an even keel all through the depression years. An example, which proves the exception rather than the rule, may be illustrated. The Zeppelin



GALLOWAY PHOTOS

issue of United States stamps appeared in April, 1930, with a face value of $4.55. Soon after issue they reached a market value of $11 a set. In late 1931 they reached $18, then slumped off in 1932 to a low of $10 a set. Since then the price has risen steadily until a figure of $42 holds today. This is the exception. While almost half the value of this comparatively expensive set was lost during the low water-mark of the depression, the other lower-priced issues enjoyed a steady demand among the large group who never expected to buy the higher priced stamps anyway. The recession in price on these lower ranges was negligible and was followed by rapid advances as soon as the storms of depression were quelled.

There was little forced selling of stamps during this period. To the man who saw Radio tumble from 114¾ to 2½ and who saw Steel sag like a rubber band while his stamps were being quoted at consistently respectable prices, these stamps looked like the one firm foundation in an otherwise crumbling world. He held on to them. This in itself had a buoying effect on all stamp holdings and provided a steady market for stamp dealers during a period of general business recession.

Nassau Street is the headquarters of the stamp trade, and Nassau is just around the corner from Wall. Never over-cautious, the boys from the big board looked at the externals, jumped to conclusions, and started in to work around the corner where values did not fade overnight for no apparent reason. The results have been rather startling. Stamp issues began to be sold out almost before they were printed. Sales at the Philatelic Agency in Washington, which is a branch of the Post Office Department established in 1925 to cater exclusively to the wants of stamp collectors and dealers, boomed tremendously. From a figure just over $100,000 a year in the period from 1927 to 1930, sales have risen to nearly $2,000,000,000 a year for the past four years. Precipitous advances were coupled with equally precipitous declines in the true Wall Street manner.

The average collector, not knowing exactly what it was all about, has done his share. Not being satisfied, as formerly, with a block and single copy of each stamp, he has laid away a few sheets to guard against a rainy day, send his kids through college, and keep the home-fires burning in his old age. This practice of laying away a few

With the coming of President Roosevelt, himself a collector, Government presses began issuing in much greater number attractive stamps to commemorate historical events.

sheets, coupled with the present administration's policy of issuing a constant supply of new stamps has worked an undeterminable but much discussed hardship on the stamp dealers who have seen the millions which collectors might have spent with them diverted to the Government direct through purchases at the Philatelic Agency. "Anyway," the collector says, "I can always use them for postage," and he probably will, because the number of recent stamps that have been salted away in the last five years by people who understand little of the law of demand and supply will serve to keep the price of these issues near their cost for years to come.

On Margin

I know of one man who has 500,000 sets of National Parks stamps laid away on margin put up by his bank. Another, who advertises to buy for speculators and offers to put up 80 per cent of the cash, has 250,000 sets of the same issue in his vault. Here, then, are just two men with three-quarters of a million sets of stamps with a face value of 55 cents a set and for which the market must necessarily be limited to those who have at least 55 cents to spend on stamps if these men are to get their money back, not to mention interest on their investment. Nor does this figure take into consideration the thousands of individuals—collectors, speculators, and dealers—who have laid away a few hundred or thousand sets themselves. Nor the fact, which is painfully true, that most collectors already have the set in their collections. When you consider that these stamps already have been held for three years, and that the current bid price is only 10 per cent over the face value, you can see that this investment looks pretty sick with bank charges at 6 per cent a year and the "speculator's helper" charging 12 per cent for his service. The picture is bound to be gloomier in ten years more. Rising prices which make a buyers' market will not appear, for small holders, at least, will be constantly seeking to liquidate their holdings.

While this same picture holds true on other recent issues which have been overbought, it has not, thus far, applied to earlier stamps which were issued in relatively small quantities compared with the 10,000,000 to 100,000,000 which represent an issue today. On one side, large-scale investment in stamps is a new development. While older issues were laid away in some quantities, the majority saw postal use and were destroyed. The passing of years and the inexpert handling of early stamps have taken their toll as well, leaving even fewer copies for the market today. On the other hand, speculators today base their expectations on past performances evidently not taking into consideration the fact that, by their own increased activity, they are minimizing their opportunities for profit. This condition is unfortunate as it will have a tendency to discourage a good many people, now speculators, who might otherwise acquire the true collector's viewpoint through their association with stamps.

This viewpoint is not centered particularly on the value of the stamps, although it has always been a hobby that one could enjoy with the feeling that there was a salvage value—a value missing, say, in the collecting of theater stubs or empty beer bottles. Rather it is centered on the romance and history surrounding the events and personages depicted, the relaxation and change to be gained from their study, and the vicarious visiting of faraway places which they afford to many bound to their homes by circumstance. To be such a stamp collector is to be one of those millions to whom the investment aspect is a problem as far away as who pays the national debt.

These quiet collectors are also the ones who will keep stamps and stamp dealers in the big business class. For it is the dealers who are needed to supply them in the regular way—when, as, and if they decide to buy. Their business has shown and will continue to show a steady increase, made all the more promising by the rabidly speculative investor who buys the stamps the dealer will need ten or twenty years from now and who, in the meantime and then, will be holding the bag while the dealer uses his money to better advantage in building up his business. Who can blame him if he encourages the speculator to put a few hundreds or thousands in this or that issue? He who thinks twice will limit his stamp activities to the fun to be had from building up an interesting collection and will leave the "investing" to others.

COST OF SURPLUS PROFITS TAX TO LARGE *and* SMALL CORPORATIONS

ROBERT L. TEBEAU
Research and Statistical Division
DUN & BRADSTREET, INC.

UNDISTRIBUTED PROFITS TAXES AS PERCENTAGES OF NET EARNINGS AFTER OTHER TAXES, 1936

	ALL[1]	SMALL[2]	MEDIUM[2]	LARGE[2]
Number of Companies..	507	136	186	144
Average Tax[3].......... (Per Cent of Net Earnings)	2.6	3.8	2.3	2.1
TAX AS PERCENTAGE OF BOOK EARNINGS	PER CENT OF GROUP			
0 to 5..........	67.7	58.8	69.9	74.3
6 to 10..........	22.5	31.6	20.4	16.7
11 to 15..........	5.5	7.4	4.3	5.5
16 and over.......	4.3	2.2	5.4	3.5
	100.0	100.0	100.0	100.0

[1] Includes 41 corporations not classified by size.
[2] Size classification based on combined capital and surplus: small, below $200,000; medium, $200,000 to $1,000,000; large, above $1,000,000.
[3] Unweighted medial average.

BY THE time these notes appear in print, repeal or drastic modification of the Undistributed Profits Tax by Congress may have given them the status of a post-mortem. But healthy, deceased, or on the operating table, the patient is an interesting subject for examination.

Prophecies that this tax measure would descend most heavily on the small corporation are borne out by the results of the recent DUN & BRADSTREET Undistributed Profits Tax Survey.* For 1936, small concerns were found to have paid an Undistributed Profits Tax at almost twice as high a rate as did large corporations. Neither type of concern, however, reported average tax rates anywhere near the possible maximum.†

These results are not surprising if one considers the rates of distribution of earnings reported in the September DUN'S REVIEW. It was evident at that time that most concerns, whether because of tax pressure or other considerations, had liberalized their dividend policies, but it was also apparent that the typical small corporation always had retained and still was retaining a larger proportion of earnings than the large.

The accompanying table, which presents a frequency distribution for different tax-rate classes, according to size of corporation, makes apparent the inverse correlation between size of company and the tax burden. It should be noted that the calculations of tax burden are in percentages of "net earnings after all taxes except the Undistributed Profits Tax," rather than of "adjusted net income." This figure was requested in the survey questionnaire because it was felt that in determining corporate policies, business men are inclined to give greater weight to what their own books indicate as earnings than to the sometimes artificial figure resulting from "tax accounting" methods.

The average figure here presented cannot be taken as a measure of the burden of the Tax on all corporations. Obviously, corporations with no "adjusted net income" would pay neither normal tax nor profits tax, and such corporations are in the majority. The study here reported includes only corporations reporting "net earnings" and therefore is not typical of all corpora-

* See also DUN'S REVIEW, September, 1937, pages 5-36.

† The average of 2.6 per cent derived in this study is somewhat at variance with the 3.6 per cent average reported by the National Industrial Conference Board in its bulletin of October 13, 1937. The difference is in all probability due to the Conference Board's use of the arithmetic mean, rather than the medial averages used in these computations. If the arithmetic mean had been used here, the average for all concerns in the sample would have been 4.3 per cent instead of 2.6 per cent. The difference between this figure of 4.3 per cent and the Conference Board's 3.6 per cent is primarily due to the presence of fewer small concerns in the Board's sample.

GALLOWAY

Once much worked over, still much discussed, corporation tax data have been filed away in orderly fashion.

tions, but only of those particularly susceptible to the incidence of the Undistributed Profits Tax.

Of the 507 concerns in the sample, 33 per cent reported no Undistributed Profits Tax payment. Here, also, the influence of size seems to have operated, since only 25 per cent of the small concerns were in this category, as against 34 per cent of the middle class and 33 per cent of the large corporations. In all three size classifications, the Tax amounted to 11 per cent or more of book earnings in less than 10 per cent of the cases. In this connection it should be noted that the maximum tax assessed, if all earnings are retained, can amount to 20½ per cent of adjusted net income.

Dividend Rate

Rates of dividend distribution cannot be deduced from the tax rates reported, because of the claimed exemption of portions of some companies' profits due to contractual restrictions on the payment of dividends; because of the specific credit granted to corporations with incomes under $50,000, which in effect reduces the rate of tax; and because of the possible variations between each corporation's adjusted net income, upon which the tax rates are based, and each corporation's book earnings, on which the percentages shown were computed.

The unequal incidence of the Tax upon concerns of different size was to have been expected unless much greater shifts in the dividend policies of small concerns than of large had resulted. Small companies have customarily plowed back more of their profits than have large corporations. Thus, any tax on retentions was bound to rest with particular weight on small corporations, unless they revolutionized their earnings distribution policy. While the Tax did force the cutting of melons which would otherwise have remained in the surplus refrigerator, it is clear that small concerns are still distributing proportionately less of their earnings than are the large corporations.

The reasons why small corporations should find it impossible or inadvisable, in the face of tax penalties, to distribute as great a share of their earnings as do larger companies are not altogether obscure. Assuming the desirability of expansion, most enterprises have only two alternatives to choose between, plowing back profits or getting funds from outside. It is not always easy for a small business to obtain new capital from outside sources. Public sale of securities is difficult, if not impossible, and might often be more expensive than paying the Undistributed Profits Tax. Additional funds can sometimes be obtained from the owners, or from their relatives and friends. But sometimes they cannot, and many owners of close corporations are unwilling to dilute their equity and control by admitting others to an interest.

These same difficulties are not so squarely in the way of the larger company whose name is known, whose credit is established, and whose securities may be listed or publicly traded. The mechanism for security flotation is well established for distributing large issues to investors.

Shifting the Tax

A possible third procedure, introduced by the Tax itself, includes a number of devices by which a corporation may eat its cake and have it too, or more accurately, by which it may shift the tax burden to its stockholders. The payment of dividends in other forms than cash enables a company to avoid the Tax and at the same time retain its working capital. An arrangement under which the stockholders agree to re-invest their cash dividends would have the same effect. However, evidence relating to 1936 indicates that there was a tendency for small corporations to make greater use of these devices than the large.

Other considerations can, of course, influence tax decisions which concern dividends. Big companies may have readier access to expert technical advice and interchange of opinion and experience. Sufficient cash or other liquid assets for distribution may be more available to large corporations than to small. Or the latter, conscious of their greater vulnerability in a business recession, may be reluctant to part with their reserves. Such salutary caution as this is justified by a recent Twentieth Century Fund study* which found the earnings of small corporations subject to wider fluctuations than the profits of big business.

Alternatives

Another important consideration which unquestionably influences the dividend policies of small corporations is the relationship between corporate taxes and individual income taxes. It would be unrealistic to picture the average owners of small businesses as determining their companies' dividend policies without a careful comparison of undistributed profits taxes with their own personal income taxes under various rates of distribution. Said one small corporation, "Our problem on the Undistributed Profits Tax is chiefly that of balancing the tax rate of the corporation with the tax rate of our major stockholder." Certainly, with individual income tax rates as high as 79 per cent, instances exist in which considerable immediate tax saving will result from a 100 per cent retention of earnings and the payment of a 20½ per cent Undistributed Profits Tax.

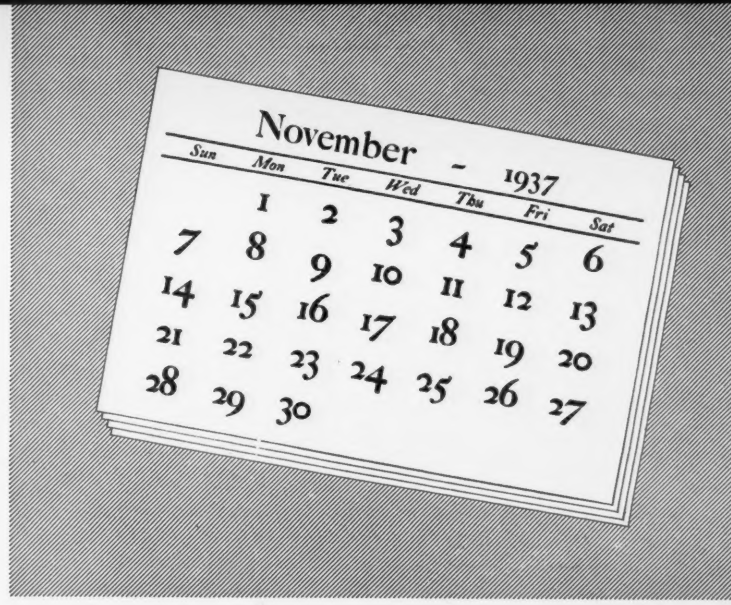
On the other hand, individual tax consideration of a large number of stockholders poses too complicated a problem for a large, publicly owned corporation. In the many cases of this type, the management has little choice but to adopt the policy which holds out the greatest chance of success for the corporation as a business venture.

Less weight can be given to contrasts in Undistributed Profits Taxes paid by particular industrial groups, both because of difficulties of classification and because of possible inadequacy of the

(Continued on page 41)

* *How Profitable is Big Business?*, Twentieth Century Fund, Inc., New York, 1937.

THE BUSINESS DIARY NOVEMBER · 1937



Congress assembles in special session and marks time. . . . Anti-recession program by President centers on housing, and by business on modification or repeal of Undistributed Profits Tax and Capital Gains Tax. . . . Gold flows away from United States. . . . Federal Reserve continues credit expansion moves. . . . Japan gains in China.

1 United States Bureau of Agricultural Economics issues pessimistic report on business outlook.

2 Election Day. American Labor Party holds balance of power in New York City as La Guardia is re-elected. CIO candidates are defeated in Detroit, Akron, and Canton.

3 Brazil abandons long-standing coffee valorization program. Nine-Power Conference meets in Brussels to seek solution of Sino-Japanese situation.

5 Duke of Windsor abandons plans for labor inspection trip to United States. Railroads petition ICC for 15 per cent freight rate increase and coach rate increase of one-half cent a mile in Eastern territory.

8 Supreme Court upholds Virginia occupational tax on "out-of-the-State" corporations and Iowa tax on income from its own tax-exempt bonds. New York Federal court sustains lower court ruling restraining Electric Bond and Share Company from use of mails in inter-State commerce unless it registers with SEC. Government cotton estimate indicates record crop. Chinese retreat from Shanghai.

9 President intimates acceptance of utilities as monopolies if valuation procedure is revised. J. Ramsey MacDonald dies. Report of United States Maritime Commission asks nine amendments to Merchant Marine Act. FTC hearings begin in cement basing point system.

10 President confers with industrialists and Government officials regarding plans to stimulate building financed by private capital. Brazil is declared a corporate state and President Vargas assumes dictatorial powers.

11 Armistice Day. Federal Housing Administration revises regulations to encourage investors. NLRB orders Consolidated-Edison Company of New York to void wage contracts "imposed" with AF of L union. British Government announces nationalization of coal industry, effective 1942.

12 Commodity Exchange Administration launches move to limit grain speculation. Bank of France discount rate lowered.

15 Congress convenes in special session. Federal court at Chattanooga opens hearings to test TVA constitutionality. Mexican Government upsets oil pact with United States in new agreement with British interests.

16 Unemployment Census cards distributed throughout nation.

18 Negotiations of new Anglo-American trade pact formally announced.

19 President Roosevelt orders FTC to investigate rising cost of living.

23 Chairman Douglas of SEC issues statement advising securities exchanges to reorganize.

24 Nine-Power Conference adjourns; no tangible results. Edison utilities plan expansion program after chairman talks with President Roosevelt. General Motors, Ford, and Chrysler prepare to drop interests in subsidiary finance corporations.

25 Large turkey consumption.

26 Dr. Schacht quits Reich economic ministry, retains presidency of Reichsbank and Cabinet post. Japan assumes civil control of Shanghai.

27 Japan warned on China customs by United States, Great Britain, and France.

29 President's message to Congress proposes action to facilitate $16,000,000,000 of private housing. Senator Harrison broadcasts promise for prompt tax revision.

30 President sends Congress special message urging curtailment of Federal aid to highway building. National Bituminous Coal Commission fixes soft coal prices in East, effective December 16. Only twenty-one shopping days until Christmas!

THE TREND OF BUSINESS

PRODUCTION . . . PRICES . . . TRADE . . . FINANCE

Despite continued recession in industrial activity and less favorable developments in trade during November, the business world sought what comfort was possible during early December in slight evidences here and there that perhaps there had been reached a levelling-off of inactivity. Data now becoming available for November show the sharpness of the recession and of the correction that is being applied.

IN the present state of business activity the most cheerful news is of a negative rather than positive character. Coming after the recent sharp decreases in manufacturing schedules, the first indications of a reduced rate of decline, and, especially in those industries where curtailment has been sharpest, of a levelling-off in activity have afforded some encouragement to business men.

Industrial Production

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1934	1935	1936	1937
January	78	90	97	114
February	81	90	94	116
March	84	88	93	118
April	86	86	101	118
May	86	85	101	118
June	84	87	104	114
July	76	86	108	114
August	73	88	108	117
September	71	91	109	111
October	74	95	110	103
November	75	96	114	90*
December	86	101	121	...

* Preliminary.

Bolstered by price concessions, retail demand has held up better than was expected in many cases, making heavy inroads in inventories, and resulting in last minute fill-in orders in some lines. No definite upward trend was evident in pre-Christmas security markets, but resistance to further price declines, developing, as it did, in the face of additional unfavorable reports from industry and trade, was in itself taken as a sign of strength.

The recent drop in industrial output has been the sharpest ever measured by the Federal Reserve Board's index. A loss of 27 points from August to November has brought the adjusted index to the lowest level since August, 1935. Durable goods industries have suffered the most drastic decline. Automobile production held fairly close to levels established in the middle of October, but was down substantially when compared with the usual activity that follows the introduction of new models. Further curtailment occurred in the plate glass and lumber industries.

November output in the steel industry was 37 per cent below October, 59 per cent below the peak month of the year. Yet news from the industry was not entirely unfavorable. Consumption, as measured by shipments, appeared to be at a somewhat higher rate than production, indicating a reduction of stocks at the mills. In the first part of December output fell even lower but, on an average daily basis, was maintained practically unchanged for the three weeks in the middle of the month. Orders from its major cus-

Factory Payrolls

U.S.B.L.S. Index—1923-1925 = 100

	1934	1935	1936	1937
January	54.6	65.0	73.8	90.7
February	61.3	70.0	73.7	95.8
March	65.6	71.7	77.6	101.1
April	68.1	71.7	79.3	104.9
May	68.1	69.4	80.8	105.2
June	66.0	67.4	81.1	102.9
July	61.4	66.5	80.2	100.4
August	63.2	71.0	83.5	103.8
September	59.1	73.7	83.6	100.1
October	62.2	76.4	89.0	100.2
November	60.7	75.6	90.7	89.3*
December	64.2	77.6	95.2	...

* Preliminary.

tomers—the automobile and building industries and the railroads—remained unusually small, but the industry found some encouragement in the evidence of improved inventory conditions, indicated by increased buying in small lots for immediate delivery.

A further decrease in the generation of electric power changed the comparison with last year from a favorable one to an unfavorable. For the first three weeks in December average output was 3 per cent below the corresponding period of 1936. Cotton mill activity in November was the lowest for the year: measured in per cent of capacity, it was 105.2 compared with 111.1 in October and 130.4 during November. Demand for gray goods spurted in early December, when mills announced a sharp curtailment in production schedules, but trading became dull again in the following week.

In November consumer income felt the first effects of the recent reduction in industrial activity. The index of

Wholesale Commodity Prices

U.S.B.L.S. Index—1926 = 100

Week	Sept. 1937	Oct. 1937	Nov. 1937	Dec. 1937
I	86.4	86.9	83.8	82.0
II	86.8	86.0	83.2	81.9
III	87.4	85.2	82.9	81.5
IV	87.5	84.9	82.0	
V		84.0		

factory payrolls which had advanced slightly in October, aided mainly by the increased output in automobile plants, dropped in November to the lowest level of the year, falling slightly below the corresponding month of 1936. Like the index of industrial production, it was approximately 90 per cent of its 1923-1925 average. The decline since the peak months of the Spring, however, has been more rapid for production than for wages: from May to November the index of industrial output fell 24 per cent, the index of factory payrolls 15 per cent.

Living costs were lower in November than October but failed to drop in the same proportion as factory payrolls. The NICB index of the cost of living in November was 3.7 per cent higher than a year ago, the index of payrolls 1.7 per cent lower. Significant in the decline in retail costs from October to November was a 0.1 per cent decrease in rents—the first drop since January, 1934. Wholesale commodity prices continued sharply downward through the end of November, remained fairly steady in the first two weeks of December, and declined further in the third week, largely due to prices of foods.

Measures of consumer buying in November indicate a slump in demand when compared with the same month in 1936. For the first time this year

Department Store Sales

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1934	1935	1936	1937
January	73	76	81	93
February	73	77	83	95
March	76	79	84	93
April	76	75	84	93
May	75	74	87	93
June	73	79	87	93
July	73	80	91	94
August	76	77	86	92
September	74	81	88	94
October	74	78	90	93
November	75	82	94	91*
December	77	83	92	.

* Preliminary.

rural retail sales fell below the corresponding month of 1936; on an average daily basis they were down approximately 4 per cent. Department store sales, which had shown an average increase of 8 per cent over 1936 in the first ten months of the year, dropped 3 per cent below last November, when allowance was made for the extra day this year. Dun's Review's barometer of trade (pages 26-32) rose slightly from October to November but was down 6 per cent below its November, 1936, level.

After steady week-to-week decreases in November the Dow-Jones index of cars loaded recovered slightly in the first three weeks of December. Loadings declined less than was seasonally expected, and the adjusted index advanced slightly each week. Preliminary reports for November indicate a further sharp drop in railroad operating revenues. Net income in October was 2 per cent above September, but 32 per cent below last October.

Exports continued higher in October, due mainly to increases in shipments of manufactured goods. Imports declined for the fourth consecutive month and the net import balance for the year was reduced to $5,320,000. On a seasonally adjusted basis, imports were the lowest since November, 1936, exports

Industrial Stock Prices

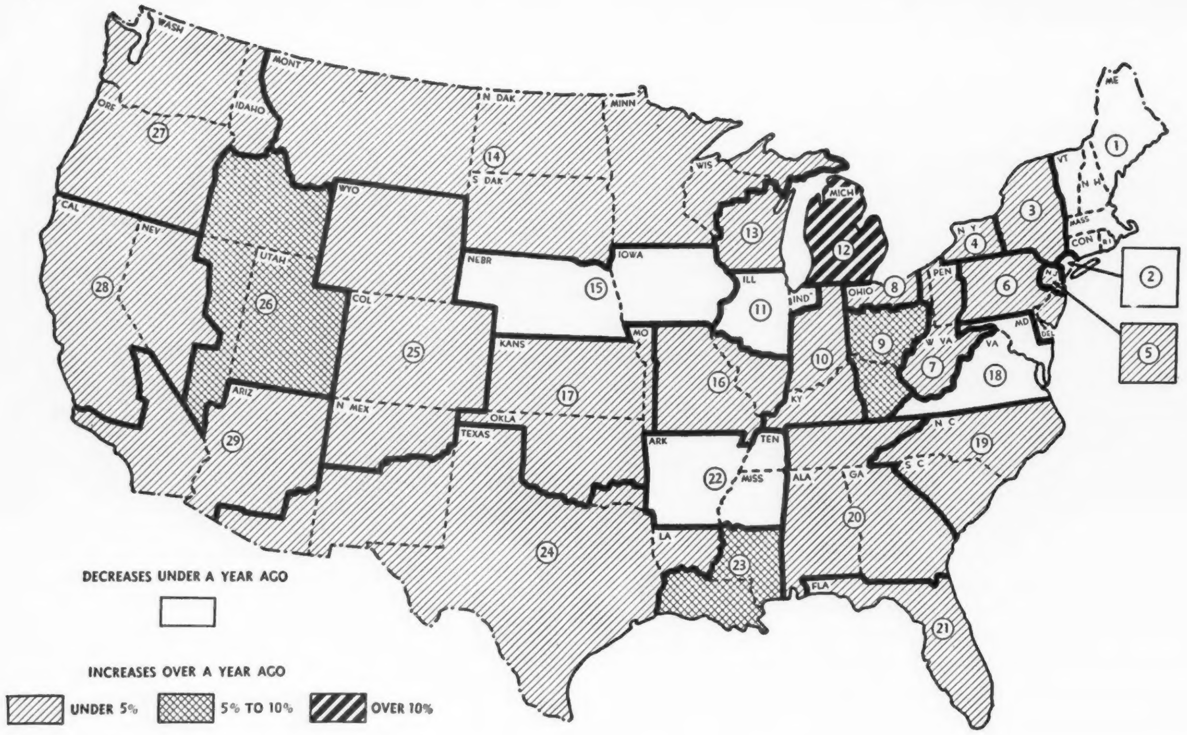
Dow-Jones Index (Weekly Average)

Week	Sept. 1937	Oct. 1937	Nov. 1937	Dec. 1937
I	173.99	153.74	129.82	124.61
II	162.41	146.33	129.69	127.67
III	161.41	137.06	124.80	124.65
IV	153.07	130.34	117.12	
V		135.22		

the lowest since March, 1937, yet substantial gains over last year have been maintained. Exports were 26 per cent above last October, imports 6 per cent.

Duller trading and narrower range of fluctuations characterized activity on stock exchanges during November and the first four weeks of December. Industrials made new lows in November, but gained slightly in the first week of December and did not again fall below that average. Corporate flotations declined further in November, the total for the month amounting to only $36,000,000 compared with $264,000,000 in November, 1936. The new issue market picked up in the middle of December and weekly offerings rose above the average for recent months.

After steady contractions since November 10, business loans of member banks rose $17,000,000 to $4,645,000,000 in the week ending December 15, but dropped again in the following week to a total of $4,617,000,000. Money in circulation amounted to $6,681,000,000 in the fourth week of December, $13,000,000 more than in the corresponding week of 1936, but the total gain from the third week of November was only half that made in the same period last year. Except for the week ending December 1, bank debits outside New York City have fallen below the corresponding weeks of 1936 each week since the third week in November.



TRADE INDEX DROPS BELOW 1936

Despite a slight advance from October to November, the United States Trade Barometer failed to touch the level made last November. The Trade Barometers for the United States and 29 regions are prepared by L. D. H. Weld, Director of Research of McCann-Erickson, Inc.

THE volume of consumer spending gained more than seasonally from October to November, but the increase was not sufficient to balance the large spurt in buying in the same period of 1936, and the United States barometer of trade dropped below the corresponding month of the previous year for the first time since June, 1933. At 90.6 per cent of the 1928-1932 average, the October index was the low for the year—12.6 points below the high in March. The preliminary figure for November was 91.8, 6 per cent below last November's level.

According to reports from Dun & Bradstreet branch offices, holiday buying was slow in starting this year. Cuts in payrolls and prospects of further reductions brought to retail trade some of the caution that has been evident in wholesale markets during recent months. Brisker weather in early December helped to develop a more favorable volume, but dollar totals were held down by the tendency toward less expensive lines and smaller unit purchases

Regional indexes for October reflected the downward movement of the general barometer. Retail purchases in twenty-five of the twenty-nine regions were lower in October than in September; in ten of these the drop in the indexes was 5 per cent or more. Largest declines occurred in the Iowa-Nebraska and North and South Carolina barometers, which fell off approximately 9 per cent. Gains from October levels were recorded in the St. Louis, Florida, Denver, and Los Angeles regions. The advance from 114.7 to 118.8 in the Florida index enabled it to maintain its lead in the country by a wide margin; closest to it was the Denver barometer which moved up 1.8 points to 110.1.

Comparisons of the individual indexes with their corresponding levels in last October revealed few marked variations from the trend of the general index. Only four of the regional barometers were more than 5 per cent above

last year; six dropped below; and the remainder—nineteen in all—showed nominal increases of 0.5 to 4.9 per cent. Losses were not confined to any one section of the country: the New England and New York City indexes fell about 3 per cent below their levels of last October, Chicago and Maryland and Virginia were down less than 2, Iowa-Nebraska almost 8, and Memphis more than 12 per cent.

In 84 of the 159 cities which are covered by DUN & BRADSTREET branch office reports, retail trade volume in November was reported below last November. The abruptness of the industrial recession combined with the decline in farm prices have left few trade centers unaffected. That payments have also suffered from the drop in income is evident from comparisons with earlier months of this year. In January and February 45 per cent of the cities recorded collections prompter than the previous year and 8 per cent slower; in November only 5 per cent of the cities reported them prompter, 51 per cent indicating that they were slower than last year, the remainder that they were unchanged.

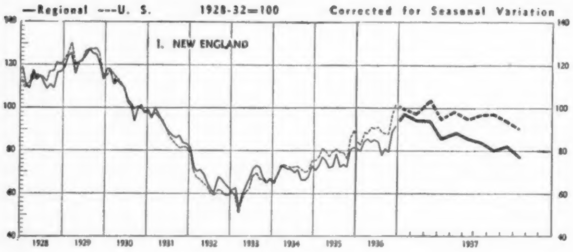
THE MAP AND TABLE compare the October, 1937, indexes with those for the same month a year ago. In the column at the extreme right of the table there is indicated the relative importance of the regions: the figures are percentages of national retail trade from the 1935 Census of Business.

THE INDEXES for the regions (charted, with U. S., from 1928, on pages 28-32; five months' figures on page 32) are composites based on: bank debits (Federal Reserve Board), department store sales (Federal Reserve Board), new car registrations (R. L. Polk & Company), and life insurance sales (Life Insurance Sales Research Bureau). In regions 2, 3, 4, 5, and 14, wholesale sales (Federal Reserve Board), and in region 2, advertising linage *(Editor and Publisher)*, which were found to make those indexes more accurate, are included. In region 15, department store sales have been omitted. Each index is separately adjusted for seasonal variation and for the number of business days in each month. All are comparable. The monthly average for the five years 1928-1932 equals 100.

THE PARAGRAPHS printed opposite the 29 regional charts quote figures for October based on samples of department and retail stores reporting to the Federal Reserve banks; for November and the first half of December based on opinions and comments of business men in various lines of trade, gathered and weighed by the local DUN & BRADSTREET offices in making up their estimates.

REGIONAL TRADE BAROMETERS

	Region	October 1937 Regional Index	October 1937 Compared with October 1936 (%)	Retail 1935 Sales (%)
	U. S.	90.3	+ 2.5	100.0
1.	NEW ENGLAND	77.3	— 3.0	7.8
2.	NEW YORK CITY	78.9	— 3.0	10.3
3.	ALBANY AND SYRACUSE	92.1	+ 4.1	2.6
4.	BUFFALO AND ROCHESTER	83.2	+ 0.5	1.9
5.	NORTHERN NEW JERSEY	83.2	+ 0.5	2.9
6.	PHILADELPHIA	83.3	+ 1.0	6.2
7.	PITTSBURGH	92.8	+ 2.7	3.7
8.	CLEVELAND	101.2	+ 4.4	2.9
9.	CINCINNATI AND COLUMBUS	108.0	+ 5.9	3.1
10.	INDIANAPOLIS AND LOUISVILLE	105.1	+ 4.3	2.6
11.	CHICAGO	87.4	— 1.9	6.4
12.	DETROIT	107.1	+10.3	4.0
13.	MILWAUKEE	99.3	+ 0.4	2.2
14.	MINNEAPOLIS AND ST. PAUL	99.0	+ 2.1	4.5
15.	IOWA AND NEBRASKA	80.0	— 7.9	3.0
16.	ST. LOUIS	97.2	+ 4.3	2.5
17.	KANSAS CITY	92.7	+ 1.8	3.6
18.	MARYLAND AND VIRGINIA	102.8	— 1.4	3.8
19.	NORTH AND SOUTH CAROLINA	100.4	+ 3.4	2.1
20.	ATLANTA AND BIRMINGHAM	101.5	+ 3.7	3.5
21.	FLORIDA	118.8	+ 4.9	1.3
22.	MEMPHIS	94.3	—12.5	1.5
23.	NEW ORLEANS	95.4	+ 5.2	1.0
24.	TEXAS	106.2	+ 3.6	4.5
25.	DENVER	110.1	+ 4.1	1.3
26.	SALT LAKE CITY	99.8	+ 9.3	.8
27.	PORTLAND AND SEATTLE	91.6	+ 1.9	2.7
28.	SAN FRANCISCO	93.8	+ 2.9	3.4
29.	LOS ANGELES	95.6	+ 3.0	3.9

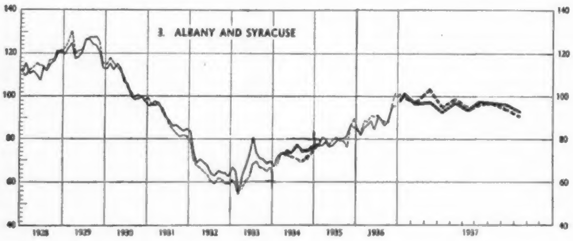


REGION 1: OCT., 77.3 SEPT., 81.4 OCT. 1936, 79.7

OCTOBER—Percentage department store sales changes from previous October: Boston —4, Providence —2, New Haven +3. NOVEMBER—Percentage retail trade changes from last November: Portland —10, Burlington —10, Boston —4, Springfield —13, Worcester —3, Providence +3, Hartford —10, New Haven +6. Wholesales trade decreases: Portland 5, Boston 10, Springfield 13. Production below last year in all reporting cities except New Haven; payrolls steady in Boston; up in New Haven; down elsewhere. Collections steady in Burlington, Providence, New Haven, Worcester; slower than last year elsewhere. DECEMBER—Further drop in output. Trade recession less sharp than curtailment in payrolls, 10% below last year in Boston, 6% in New Haven.

REGION 2: OCT., 78.9 SEPT., 84.2 OCT. 1936, 81.3

OCTOBER—Percentage department store sales changes from previous October: New York City —2, Bridgeport +12, Westchester-Stamford +3. NOVEMBER—Percentage retail trade changes from previous November: Bridgeport +5, New York City parcel deliveries —4, hotel sales —3, department store sales —0.5. Factory employment 4% below October; payrolls off 8%. Bank clearings 17% below last November. Building permits up 9%. DECEMBER—Commitments in wholesale markets lower than year ago; signs of increased activity in cotton print lines. Slight gains in commodity prices. Retail demand lower in higher-priced items. Sales of furs and house furnishings below last year.

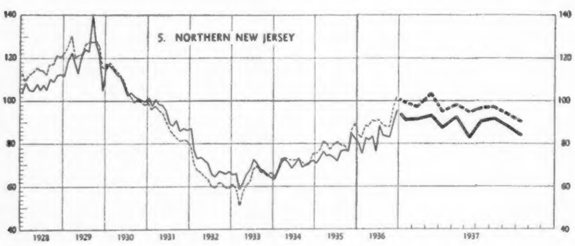


REGION 3: OCT., 92.1 SEPT., 95.2 OCT. 1936, 88.5

OCTOBER—Percentage department store sales changes from previous October: Syracuse +9, Niagara +4, Northern State —5, Central State +3. NOVEMBER—Percentage retail trade changes from previous November: Albany —10, Binghamton +8, Gloversville —5, Utica —8, Syracuse +5. Wholesale trade changes: Albany —10, Syracuse +5. Payrolls and production above last year in Syracuse; down elsewhere. Shoe manufacturers still on 3-day week. Activity in Utica metal plants 50 to 80% of last November's operations. Collections steady in Syracuse and Utica; slower than last year elsewhere. DECEMBER—Some seasonal revival in Binghamton trade, principally in clothing lines.

REGION 4: OCT., 83.2 SEPT., 85.7 OCT. 1936, 82.8

OCTOBER—Percentage department store sales increases over previous October: Buffalo 2, Rochester 7. NOVEMBER—Percentage retail trade changes from previous November: Buffalo +2, Jamestown 0, Elmira —10, Rochester +3. Buffalo wholesale trade up 2%. Payrolls and production above last year in Buffalo, steady in Jamestown; down elsewhere. General slowing up in production except in some consumers' lines. Rochester Kodak plant still operating above year ago. Increase in relief applications. Collections slower than last year in Elmira; steady elsewhere. DECEMBER—Factory employment in Buffalo district 1% above last year; payrolls up 11%. Retail trade 5% above 1936.



REGION 5: OCT., 83.2 SEPT., 87.6 OCT. 1936, 82.8

OCTOBER—Northern New Jersey department store sales down 5% from last October. New car registrations up 46%, the largest increase in any region. NOVEMBER—Newark retail trade 5% below previous November; wholesale trade off 4%. Bank clearings up 0.5% in northern New Jersey, down 2% in Newark. Payrolls and production below last year; brass foundries and automotive lines active. Volume of building permits 34% below year ago. Collections steady. DECEMBER—Clothing sales up with advent of lower temperatures; household goods lines relatively quiet. Fairly constant demand in building material lines.

REGION 6: OCT., 83.3 SEPT., 88.3* OCT. 1936, 82.5

OCTOBER—Percentage retail trade changes from last October: Philadelphia +1, Scranton +10, Wilmington —1. NOVEMBER—Percentage retail trade changes from last November: Trenton +12, Allentown +2, Philadelphia 0, Reading —1, Scranton —12, Wilkes-Barre —5, Harrisburg +5, Lancaster —10, York —4, Wilmington —10. Philadelphia wholesale trade down 5%; most severe declines in shoes, jewelry, and electric supplies. Payrolls and production above last year in Harrisburg; steady in York, Lancaster; down elsewhere. Textiles dull; skeleton forces in Philadelphia radio, auto body, and metal plants. Collections steady to slower than last year. DECEMBER—Philadelphia retail volume about 5% below 1936. Wholesale buying only for immediate needs.

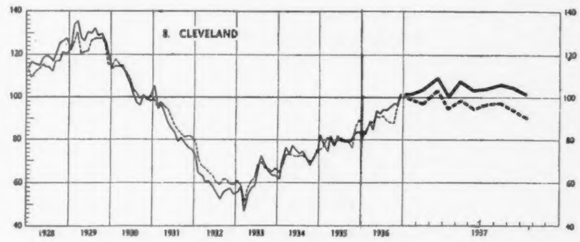
* Revised.

REGION 7: OCT., 92.8 SEPT., 99.7 OCT. 1936, 90.4

OCTOBER—Percentage department store sales changes from previous October: Youngstown +10, Pittsburgh +2, Wheeling —8. NOVEMBER—Percentage retail trade changes from previous November: Erie —12, Youngstown 0, Pittsburgh —7, Clarksburg 0, Parkersburg —5, Huntington +5, Charleston +5, Bluefield +7. Wholesale trade changes: Erie —15, Pittsburgh —15, Charleston +5. Payrolls and production steady in Bluefield; below last year in all other cities. Sharp curtailments in steel, coal, and glass plants. Collections steady in Bluefield, Erie, and Charleston; slower than last year elsewhere. DECEMBER—Pittsburgh department store sales about 4% under comparable period of 1936. Inventories 10 to 20% above last year, and re-ordering at a minimum.

REGION 8: OCT., 101.2 SEPT., 104.0 OCT. 1936, 96.9

OCTOBER—Percentage department store sales changes from previous October: Cleveland +3, Akron —6, Toledo 0. NOVEMBER—Percentage retail trade changes from previous November: Cleveland —7, Akron —16, Canton —30, Toledo 0. Wholesale trade changes: Cleveland —7, Akron 0, Toledo +16. Payrolls and production under year ago. Decline in Toledo employment, principally in automotive plants. Cleveland steel operations 33% of capacity compared with 64.4% in October and 78.6% in November, 1936. Collections slower than last year in Lima; steady elsewhere. DECEMBER—Toledo department store sales about even with last year. Cleveland retail lines dull; increased employment in clothing factories.

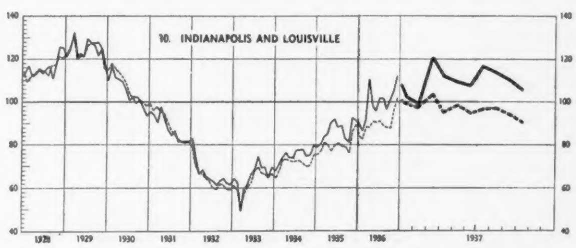


REGION 9: OCT., 108.0 SEPT., 110.1 OCT. 1936, 102.0

OCTOBER—Percentage department store sales changes from previous October: Cincinnati +5, Columbus —1. NOVEMBER—Percentage retail trade changes from previous November: Cincinnati +2, Lexington +3, Portsmouth —25, Dayton —5, Springfield —5, Columbus 0, Zanesville +10. Wholesale trade decreases: Cincinnati 12, Columbus 20. Employment and production below last year in Columbus, Portsmouth, Cincinnati, and Dayton; steady elsewhere. Cincinnati payrolls above year ago. Laundry strike involving 1,800 workers unsettled. Collections prompter than last year in Cincinnati; steady to slower elsewhere. DECEMBER—Cincinnati retail sales about even with last year; many customers but purchases smaller.

REGION 10: OCT., 105.1 SEPT., 109.3 OCT. 1936, 100.8

OCTOBER—Louisville department store sales 2% below previous October. NOVEMBER—Percentage retail trade changes from previous November: Louisville —5, Evansville +5, Indianapolis +4, Terre Haute —20, Fort Wayne +8. Wholesale trade decreases: Indianapolis 5, Louisville 10; dry goods and house furnishings off 20 to 25%. Due to low prices for corn and wheat farmers are holding crops, and trade has dropped off in rural sections. Payrolls and production even in Fort Wayne; below last year elsewhere. Collections prompter than last year in Fort Wayne; steady to slower in other cities. DECEMBER—Indianapolis retail sales 3% above 1936; Louisville sales down 8%, furniture off as much as 35%.

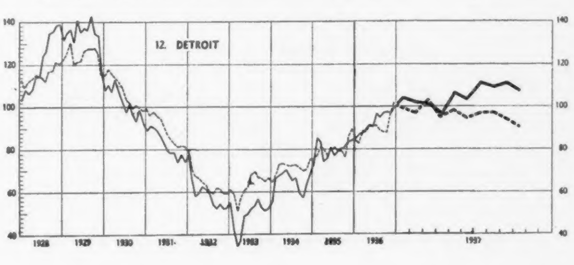


REGION 11: OCT., 87.4 SEPT., 91.9 OCT. 1936, 89.1

OCTOBER—Chicago department store sales 1% below previous October. NOVEMBER—Percentage retail trade decreases from previous November: Chicago 8, South Bend 10, Rockford 20, Peoria 10. Chicago wholesale trade down 5%. Payrolls and production under last year. Reduced working schedules in major plants: Peoria tractor plant operating on 4-day week; South Bend automobile factory on 3-day schedule. Operations steady in Rockford machine-tool and iron and steel industries, except in automotive parts and furniture lines. Collections below year ago in Peoria; steady elsewhere. DECEMBER—Sharp seasonal upturn in Chicago wholesale and retail lines; increase in store personnel.

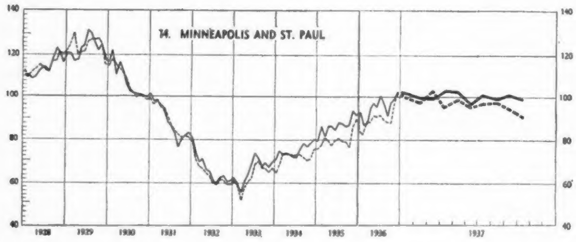
REGION 12: OCT., 107.1 SEPT., 110.3 OCT. 1936, 97.1

OCTOBER—Detroit department store sales 4% above previous October. NOVEMBER: Percentage retail trade decreases from previous November: Detroit 5, Grand Rapids 10, Saginaw 10. Higher-priced lines in Detroit most active. Cold weather encouraging sales. Wholesale trade off 15% from last year in Detroit; down 10% in Grand Rapids, good volume maintained in food lines. Production below year ago. Payrolls down in Grand Rapids; 10% above last year in Detroit. Auto output 355,000 units compared with 350,000 in October, and 405,000 in November 1936. Collections slower than year ago in Saginaw; steady in Detroit and Grand Rapids. DECEMBER—Detroit retail volume slightly ahead of year ago; wholesale trade 10% below. Further decline in auto output.



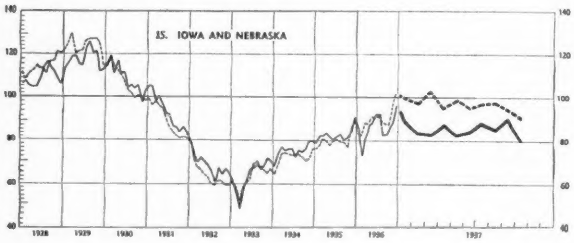
REGION 13: OCT., 99.3 SEPT., 100.0 OCT. 1936, 98.9

OCTOBER—Milwaukee department store sales even with last October. NOVEMBER—Percentage retail trade changes from previous November: Milwaukee 0, Madison 0, Green Bay +3. Milwaukee wholesale trade down 5%. Production at last year's level in Milwaukee and Madison, down in Green Bay, where paper mills and machinery plants are running on reduced working schedules. Payrolls below last year. Collections steady in Green Bay and Milwaukee; slower than last year in Madison retail and wholesale lines. DECEMBER—Milwaukee retail trade slightly above year ago; wholesale trade down except in food lines. Additional reduction in factory employment; sharpest decline in metal trade.



REGION 14: OCT., 99.0 SEPT., 100.3 OCT. 1936, 97.0

OCTOBER—Department store sales in the district 2% below last October. NOVEMBER—Percentage retail trade changes from previous November: Duluth 0, Minneapolis —4, St. Paul +5, Fargo +5, Sioux Falls —10, Billings +15, Butte —10. Wholesale trade changes: Duluth 0, Minneapolis —6. Strikes contributing to slackening of business. Payrolls and production at last year's level in Twin Cities; generally below elsewhere. Flour and farm-implement manufacturing still show gain. Collections steady to slower than a year ago. DECEMBER—St. Paul laundry strike settled; general labor agitation continues. Buying stimulated by colder weather; retail sales 6% above 1936 in St. Paul, even in Minneapolis.



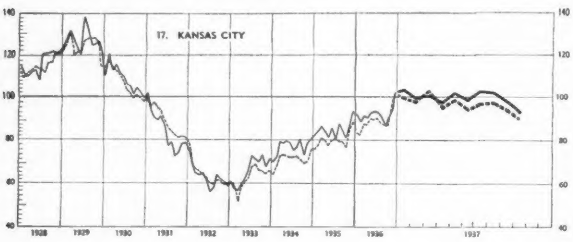
REGION 15: OCT., 80.0† SEPT., 88.4* OCT. 1936, 86.9

OCTOBER—Omaha department store sales 6% below last October. NOVEMBER—Percentage retail trade changes from previous November: Burlington —10, Cedar Rapids +3, Davenport 0, Dubuque +5, Waterloo +8, Des Moines —5, Sioux City —3, Lincoln +3, Omaha —3. Wholesale trade decreases: Sioux City —10, Omaha —2, Des Moines —10. Crop and livestock prices continue downward. Government corn loan not yet in operation. Production below last year's levels; payrolls down in all cities but Dubuque. Collections steady in Omaha; below last year elsewhere. DECEMBER—Holiday increase in Omaha trade, but volume 10% under last year.

† Preliminary. * Revised.

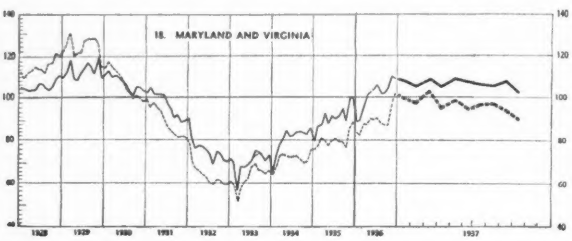
REGION 16: OCT., 97.2 SEPT., 90.3 OCT. 1936, 93.2

OCTOBER—Department store sales in St. Louis and Springfield (Mo.) fractionally above last October. NOVEMBER—Retail trade below last year in St. Louis; even in Springfield (Mo.), down 5% in Springfield (Ill.), 3% in Quincy. Payrolls and production at last year's level in St. Louis; below elsewhere. Further decline in St. Louis steel rate; more than seasonal drop in shoe production; packers experiencing heavy inventory losses. Shorter schedules in most Quincy plants. Collections steady in St. Louis; slower than last year elsewhere. DECEMBER—St. Louis retail sales sluggish. Increased unemployment and scattered salary reductions.



REGION 17: OCT., 92.7 SEPT., 97.1 OCT. 1936, 91.1

OCTOBER—Percentage department store sales changes from previous October: Kansas City —13, Oklahoma City —1, Tulsa +5. Bank debits up 11%, the largest increase in any region. NOVEMBER—Percentage retail trade changes from previous November: Kansas City —10, St. Joseph —7, Topeka —5, Wichita —20, Oklahoma City —10, Tulsa +25 (trade retarded last November by infantile paralysis scare). Wholesale trade decreases: Kansas City 0, Oklahoma City —10. Production lower except in Topeka; payrolls maintained at last year's level in Wichita, Topeka, Oklahoma City; down in other cities. Collections generally steady. DECEMBER—Retail sales 3% below year ago in St. Joseph; down 25% in Wichita.

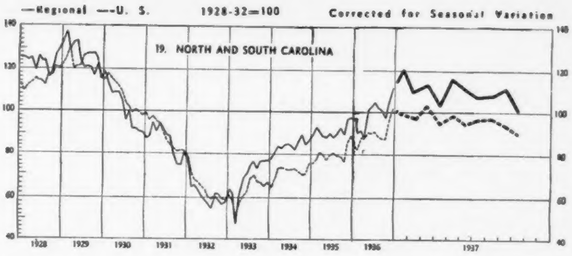


REGION 18: OCT., 102.8 SEPT., 108.1 OCT. 1936, 104.3

OCTOBER—Percentage department store sales changes from previous October: Baltimore +2, Washington —8, Richmond +1. NOVEMBER—Percentage retail trade changes from previous November: Baltimore +2, Washington —4, Norfolk 0, Richmond —3, Lynchburg +3, Roanoke +5. Wholesale trade declines: Baltimore 3, Norfolk 5, Richmond 5. Production below year ago except in Norfolk. Payrolls maintained at 1936 levels in Baltimore, Roanoke, and Norfolk. Further slackening in Norfolk lumber production. Cigarette output up 5%. Textile and furniture mills lowering operations because of excessive inventories. Collections slightly better than last year in rural districts; steady elsewhere. DECEMBER—Baltimore retail trade slightly above; wholesale volume below last year.

REGION 19: OCT., 100.4 SEPT., 110.5 OCT. 1936, 97.1

OCTOBER—Percentage department store sales changes from previous October: North Carolina —4, South Carolina +4. NOVEMBER—Percentage retail trade changes from previous November: Asheville —5, Winston-Salem —7, Charlotte +5, Raleigh —5, Wilmington —5, Charleston —2, Columbia —10, Greenville +15. Wholesale trade changes: Wilmington —10, Charleston +5, Winston-Salem —7. Tobacco prices continue favorable; cotton very low. Payrolls and production below last year except in Wilmington. Textile mills running part time. Fertilizer production late in starting. Collections steady in Greenville and Charlotte; slower than last year elsewhere. DECEMBER—Charleston retail trade 3% below last year; wholesale grocery trade down 5%.

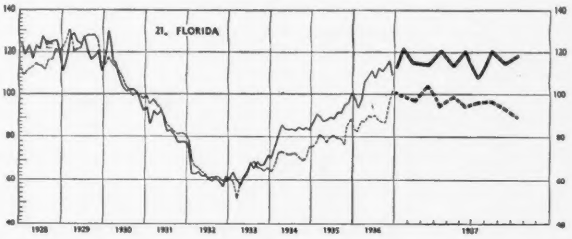


REGION 20: OCT., 101.5 SEPT., 109.6 OCT. 1936, 97.9

OCTOBER—Percentage retail trade changes from previous October: Atlanta +1, Birmingham +4, Montgomery —12, Chattanooga +3, Nashville —7. NOVEMBER: Retail trade below last year in all reporting cities; average decrease 10%. Wholesale trade declines: Atlanta 12, Birmingham 10, Nashville 10. Low price of cotton important factor in business recession in the district. Payrolls and production below last year; lower schedules in textile, lumber, and iron and steel industries. Collections slower than year ago except in some manufacturing lines. DECEMBER—Reduction in steel rate sharpest in recent months. Atlanta retail trade 6% below 1936; inventories substantially lower.

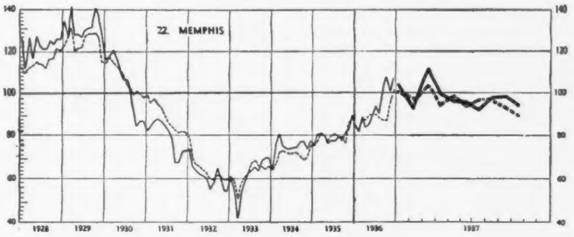
REGION 21: OCT., 118.8 SEPT., 114.7 OCT. 1936, 113.2

OCTOBER—Percentage department store sales increases from previous October: Jacksonville 12, Miami 2, Tampa 10. NOVEMBER—Percentage retail trade decreases from previous November: Jacksonville 5, Miami 4, Tampa 5. Wholesale trade decreases: Jacksonville 0, Tampa 10. Lumber sales not fully recovered from strike of dock workers. Good citrus crop; prices low. Payrolls and production above last year in Jacksonville; steady elsewhere. Saw mill activity higher due to more favorable weather conditions. Cigar shipments slow. Collections level with last year. DECEMBER—Slight damage to citrus crop due to cold wave. Some pick-up in wholesale lines. Tampa tourist trade best in years.



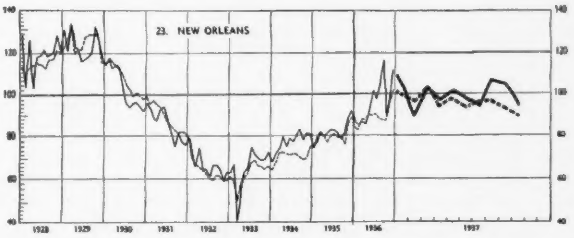
REGION 22: OCT., 94.3 SEPT., 98.3 OCT. 1936, 107.8

OCTOBER—Percentage department store sales decreases from previous October: Memphis 7, Fort Smith 4, Little Rock 9. New car registrations down 4%, bank debits 17%, the largest decreases in any region. NOVEMBER—Percentage retail trade changes from previous November: Memphis +2, Fort Smith +17, Little Rock +15. Memphis wholesale trade off 22%. Cotton yield good; price 7 to 8 cents against 12 to 14 cents a year ago. Payrolls and production below last year. Steady operations in Little Rock furniture factories. Collections faster than last year in Fort Smith; steady in Memphis; slower in Little Rock. DECEMBER—Memphis holiday buying slow; mild weather discouraging purchasing of heavy goods.



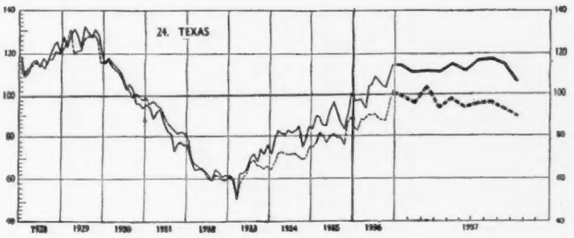
REGION 23: OCT., 95.4 SEPT., 104.4 OCT. 1936, 90.7

OCTOBER—New Orleans retail trade 12% above previous October. NOVEMBER—Percentage retail trade changes from previous November: New Orleans +5, Jackson —25, Meridian —10. New Orleans wholesale trade below October 1937 and November 1936; purchases confined to immediate needs. Cane crop partly damaged by poor weather conditions, yet net returns to grower are not expected to be under last year. Production below last year; payrolls and employment even in New Orleans; down in other cities. Pronounced activity in oil industry continues. Collections slower than last year. DECEMBER—New Orleans retail trade, favored by good weather, 8% above last year; substantial gains in wholesale dry goods lines.



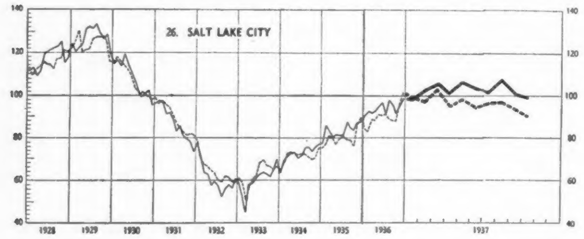
REGION 24: OCT., 106.2 SEPT., 114.6 OCT. 1936, 102.5

OCTOBER—Percentage department store sales changes from previous October: Dallas —6, Houston +3, San Antonio +2. NOVEMBER—Percentage retail trade changes from last November: Dallas +5, Fort Worth +8, El Paso —4, Houston +12, Galveston +5, Beaumont +4, Waco —15, Austin +5, San Antonio +16, Shreveport +15. Wholesale trade increases: Dallas 3, Houston 2, San Antonio 10, Fort Worth 5. Total farm income estimated above last year; but cotton prices extremely low. Payrolls and production above last year in Dallas and Houston; down in Beaumont and El Paso; steady elsewhere. Collections prompter than last year in San Antonio, Lubbock, and Houston; steady to slower elsewhere. DECEMBER—Dallas retail sales 8% above last year; moderate improvement in wholesale lines.



REGION 25: OCT., 110.1 SEPT., 108.3 OCT. 1936, 105.8

OCTOBER—Denver department store sales 3% above previous October. NOVEMBER—Percentage retail trade decreases from previous November: Denver 2, Albuquerque 10. Retail sales retarded by unseasonal weather. Denver wholesale trade down 10%. Production at last year's level in Denver; down in Albuquerque; lumber mills closing; railroad shops on 5-day basis. Payrolls below last year. Sharp decline in livestock prices. Denver building permits 21% under year ago. Collections steady in Denver; slower than last year in Albuquerque. DECEMBER—Impetus given to retail buying by first prolonged cold weather spell. Mail order volume higher than 1936. Bank debits below last year. Collections slow.



REGION 26: OCT., 99.8 SEPT., 100.4 OCT. 1936, 91.3

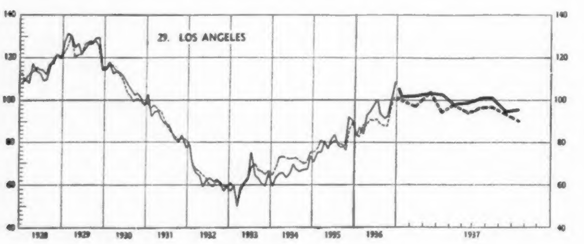
OCTOBER—Salt Lake City department store sales 9% above previous October. NOVEMBER—Salt Lake City retail volume at last November's level; sales of wearing apparel retarded by mild weather. Wholesale trade 3% above last year; building material lines down 13%. General agricultural situation fair in spite of low prices on potatoes and beans. Payrolls and production off 2% from last year; main decrease in employment in metal mining and smelting. Salt Lake City bank debits 11% above last November. Collections steady DECEMBER—Salt Lake City retail volume up 8% due to increased holiday buying, but still 5% below same period last year; wholesale trade 10% below.

REGION 27: OCT., 91.6 SEPT., 96.1 OCT. 1936, 89.9

OCTOBER—Percentage department store sales changes from previous October: Seattle —2, Tacoma +1, Spokane —3, Portland —5. NOVEMBER—Percentage retail trade decreases from previous November: Seattle 2, Tacoma 10, Spokane 2, Portland 4. Wholesale trade decreases: Seattle 5, Portland 0. Consumer reaction to drastic pre-Christmas sales in Seattle disappointing. Production below last year in all reporting cities; further curtailment in lumber mills. Payrolls at last year's levels in Seattle and Spokane; down elsewhere. Collections slower than year ago except in Tacoma. DECEMBER—Trade volume at 1936 levels in Portland; below last year in Seattle and Tacoma.

REGION 28: OCT., 93.8 SEPT., 95.1 OCT. 1936, 91.2

OCTOBER—Percentage department store sales decreases from previous October: San Francisco 4, Oakland 1. NOVEMBER—Percentage retail trade changes from previous November: San Francisco —3, Oakland —5, Sacramento +3, Fresno —10. Sales sluggish despite special price reductions, unusual for the holiday period. San Francisco wholesale trade off 10%; retailers buying only for immediate needs. Production below year ago; payrolls maintained above last year in San Francisco. Seasonal layoff of railroad shop employees in Sacramento. Collections slower than last year in Fresno; steady elsewhere. DECEMBER—San Francisco Christmas savings largest on record, but trade spotty and numerous special sales offered.



REGION 29: OCT., 95.6 SEPT., 94.1 OCT. 1936, 92.8

OCTOBER—Los Angeles department store sales 1% below previous October. November: Percentage retail trade changes from previous November: Los Angeles +3, San Diego 0, Phoenix 0, declines in dry goods and shoe lines. Gains over last year continue in farming communities. Los Angeles wholesale trade down 5%. Good yields of citrus and cotton, prices declining. Payrolls and production below last year in Los Angeles; steady elsewhere. Slowing up in Los Angeles auto output. San Diego aeroplane and fish-packing industries steady. Arizona copper production low; activity continues in gold and silver industries. Collections slower than last year. DECEMBER—Los Angeles retail trade slightly below last year; higher dollar volume discounted by price increases.

REGIONAL TRADE BAROMETERS, JUNE, 1937–OCTOBER, 1937 1928–1932 = 100 CORRECTED FOR SEASONAL VARIATION

REGION	U. S.	1	2	3	4	5	6	7	8	9	10	11	12	13	14
June	95.1	85.6	83.5	93.7	84.9	82.4	91.4	97.9	103.6	105.3	107.8	97.3	103.6	99.7	95.8*
July	96.2	83.7	86.8	97.2	89.5	90.1	91.0	97.3	104.4	107.8	116.9	97.4	115.5	99.4	101.4
August	96.3	80.0	86.2	96.3	89.5	91.0	93.3	104.2	105.8	111.1	113.0	96.0	108.9	99.6	98.9*
September	93.8	81.4	84.2	95.2	85.7	87.6	88.3*	99.7	104.0	110.1	109.3	91.9	110.3	100.0	100.3
October	90.6	77.3	78.9	92.1	83.2	83.2	83.3	92.8	101.2	108.0	105.1	87.4	107.1	99.3	99.0
REGION	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
June	84.7	91.9	98.9	108.0	111.7	111.3	120.5	96.2	98.4	112.1	107.5	103.9	105.1	97.6	99.1
July	88.2	99.9	102.3	106.6	107.0	110.1	108.0	92.6	95.9	116.8	112.7	100.5	97.9	100.0	100.9
August	85.1	90.8	102.6	105.5	107.8	112.1	120.4	96.9	106.1	118.6	111.4	106.4	99.6	101.9	100.8
September	88.4*	90.3	97.1	108.1	110.5	109.6	114.7	98.3	104.4	114.6	108.3	100.4	96.1	95.1	94.1
October	80.0†	97.2	92.7	102.8	100.4	101.5	118.8	94.3	95.4	106.2	110.1	99.8	91.6	93.8	95.6

* Revised. † Preliminary.

SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"

More detailed figures appear in "DUN'S STATISTICAL REVIEW"

Bank Clearings—22 U. S. Cities

(Millions of dollars)

	Monthly			Daily Average		
	1937	1936	1935	1937	1936	1935
January	27,226	25,262	23,519	1,089.0	971.6	904.6
February	23,718	22,065	19,108	1,078.1	959.3	868.5
March	29,412	26,610	24,354	1,089.3	1,023.4	936.7
April	26,086	24,711	22,809	1,003.3	950.4	877.3
May	23,951	22,473	22,908	958.0	898.9	881.1
June	25,903	26,148	22,392	996.3	1,005.7	895.7
July	26,015	24,766	24,100	1,000.6	952.5	926.9
August	22,260	21,269	22,313	856.2	818.0	826.4
September	24,076	23,927	20,986	963.0	957.1	874.4
October	24,668	25,852	24,076	986.7	994.3	926.0
November	21,796	24,554	22,241	947.6	1,116.1	967.0
December	......	31,153	24,089	......	1,198.2	963.6
Total	......	298,790	272,895	......	987.1	904.0

Building Permit Values—215 Cities

By Geographical Groups

Groups:	November 1937	November 1936	Change P. Ct.	October 1937	Change P. Ct.
New England	$4,517,065	$5,346,416	— 15.5	$5,125,590	— 11.9
Middle Atlantic	26,928,159	24,240,191	+ 11.1	39,218,498	— 31.3
South Atlantic	6,752,857	9,173,373	— 26.4	7,610,841	— 11.3
East Central	12,924,098	14,137,219	— 8.6	15,932,096	— 18.9
South Central	5,414,777	5,980,196	— 9.5	8,245,822	— 34.3
West Central	2,767,369	3,057,835	— 9.5	3,440,800	— 19.6
Mountain	1,212,641	1,823,055	— 33.5	1,530,036	— 20.7
Pacific	9,050,583	11,748,338	— 23.0	9,571,100	— 5.4
Total U. S.	$69,567,549	$75,506,623	— 7.9	$90,674,783	— 23.3
New York City	$19,388,948	$17,801,006	+ 8.9	$30,051,768	— 35.5
Outside N. Y. C.	$50,178,601	$57,705,617	— 13.0	$60,623,015	— 17.2

World Visible Wheat Supplies

(Thousands of bushels)

1937	U. S. East of Rockies	U. S. Pacific Coast	Canada	Total U. S. and Canada both Coasts	U. K. * and Afloat	Continent *	Total America and Europe
Oct. 9	136,060	5,358	74,135	215,553	35,500	3,200	254,253
Oct. 16	134,770	5,265	73,266	213,301	35,500	3,000	251,801
Oct. 23	131,457	5,129	72,857	209,443	36,200	3,000	248,643
Oct. 30	126,639	4,997	74,483	206,119	38,500	3,300	247,919
Nov. 6	124,890	4,750	74,399	204,039	39,000	4,000	247,039
Nov. 13	120,457	4,562	72,868	197,887	41,800	4,100	243,787
Nov. 20	116,086	4,292	69,818	190,196	44,300	5,600	240,096
Nov. 27	111,578	4,045	67,099	182,722	40,700	6,900	230,322
Dec. 4	106,125	3,584	61,696	171,405	44,000	7,400	222,805
Dec. 11	103,166	3,419	61,462	168,047	43,000	7,500	218,547
Dec. 18	97,647	3,585	60,140	161,372	42,300	7,500	211,172
Dec. 25	95,893	3,985	58,862	158,740	41,300	8,100	208,140

* Reported by Broomhall.

Dun & Bradstreet Wholesale Commodity Price Index

Groups:	Dec. 1, 1937	Nov. 1, 1937
Breadstuffs	$0.1057	$0.1107
Livestock	.3521	.3766
Provisions	2.9396	3.0072
Fruits	.2338	.2375
Hides and Leather	.9700	1.1863
Textiles	2.3538	2.4847
Metals	.7304	.8004
Coal and Coke	.0121	.0122
Oils	.6032	.6105
Naval Stores	.1045	.1046
Building Materials	.1223	.1233
Chemicals and Drugs	.8473	.8448
Miscellaneous	.3964	.4490
Total All	$9.7712	$10.3478

(First of Month)	1937	1936
January	$11.1360	$10.3641
February	11.2320	10.0204
March	11.3494	9.9196
April	11.8150	9.8541
May	11.5159	9.8191
June	11.3374	9.7374
July	11.2734	9.8538
August	11.1928	10.1445
September	10.9579	10.1907
October	10.8483	10.2716
November	10.3478	10.2214
December	9.7712	10.7895
Monthly Average	$11.0648	$10.0989

Dun's Index Number of Wholesale Commodity Prices

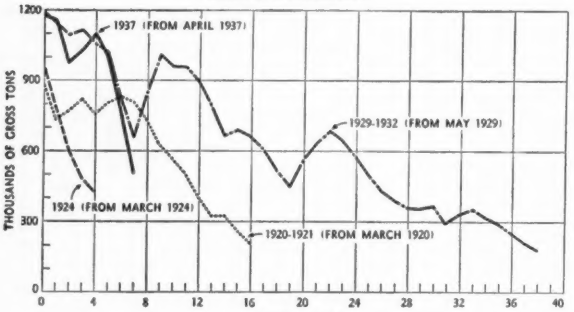
Groups:	Dec. 1, 1937	Nov. 1, 1937
Breadstuffs	$21.625	$23.311
Meat	23.679	26.818
Dairy and Garden	20.811	19.677
Other Food	18.399	18.669
Clothing	28.834	31.275
Metals	25.200	25.160
Miscellaneous	38.276	38.543
Total All	$176.824	$183.453

(First of Month)	1937	1936
January	$206.544	$178.063
February	203.206	179.045
March	205.177	179.601
April	205.550	173.649
May	204.981	173.485
June	201.516	172.136
July	202.413	178.240
August	193.940	181.878
September	192.778	182.498
October	193.674	183.153
November	183.453	184.397
December	176.824	192.959
Monthly Average	$197.505	$179.925

THROUGH THE STATISTICIAN'S EYES

ODD AND INTERESTING ITEMS FROM THE MONTH'S RECORD

Steel Declines



AVERAGE WEEKLY STEEL INGOT PRODUCTION—*American Iron and Steel Institute—Comparisons between major post-war declines in steel operating rates reveal wide variation in the depth and duration of each recession. The number of months between the peak and lowest point of operation has been as small as four, as large as thirty-eight.*

COMPARISONS of the four major post-war declines in steel activity bring out interesting differences in the amount of time elapsing between the peaks and bottoms. At one extreme is the recession of 1924 which was culminated after only four months of decline; at the other, the descending spiral which began in May, 1929, and continued for more than three years before showing any signs of a sustained reversal.

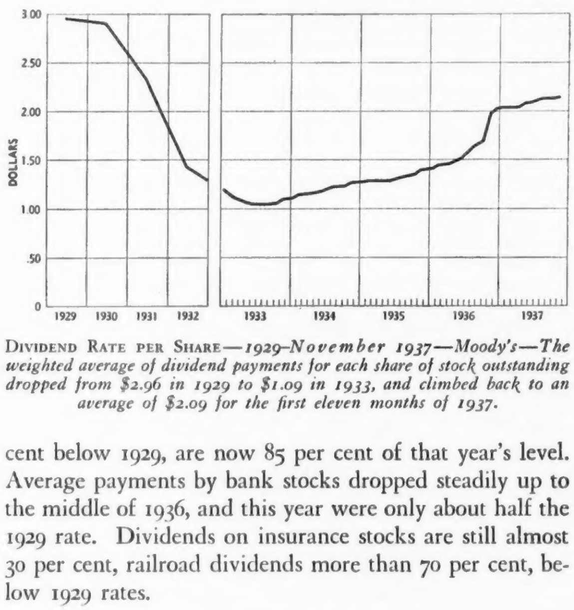
At first the present slump in the industry showed some similarity to the 1929 pattern—except for the sudden drop occurring in June, which was largely the result of the disturbing effect of labor disputes. But the curtailment which took place after September, lowering average weekly ingot production 50 per cent in two months, has been far more abrupt than in 1929. Though unusual, the sharp drop is not unprecedented. Three years ago a similar percentage decline occurred in the two months following the peak in May: the bottom was reached in September—61 per cent below the May level.

Dividends

THE AVERAGE dividend payment on each share of outstanding stock is computed monthly by *Moody's,* based on 600 stocks of five classes of corporations (railroad, industrial, bank, insurance, and public utility). Total dividends are weighted according to the importance of each class, and adjustments are made for changes in share capitalization, the average rate per share being computed by dividing total dividends by total shares outstanding.

The trend of payments since 1929 is shown on the chart. Like most other indexes of business activity, this series reached its low point and turned upward about the middle of 1933. The relative flatness of its curve is its distinctive characteristic. Although corporate income fell off from a net income of $8,740,000,000 in 1929 to a net deficit of $5,644,000,000 in 1932, average dividend payments during the same period dropped only from $2.96 to $1.43 per share —less than one-third the percentage decline of corporate income. Wider cyclical fluctuations will probably characterize the future trend of disbursements, since undistributed earnings, which have tended to iron out the broadest swings, are now taxed under the act of 1936.

Separate series for the various classes of corporations reveal the extent to which dividends for each class approach 1929 levels. Dividends of industrials, following the general pattern of the total, reached their low in 1933 and by 1937 were about 80 per cent of their 1929 average. Public utility stock disbursements, at no time more than 26 per



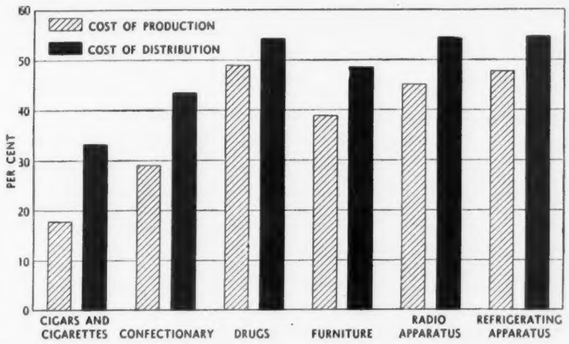
DIVIDEND RATE PER SHARE—*1929–November 1937—Moody's—The weighted average of dividend payments for each share of stock outstanding dropped from $2.96 in 1929 to $1.09 in 1933, and climbed back to an average of $2.09 for the first eleven months of 1937.*

cent below 1929, are now 85 per cent of that year's level. Average payments by bank stocks dropped steadily up to the middle of 1936, and this year were only about half the 1929 rate. Dividends on insurance stocks are still almost 30 per cent, railroad dividends more than 70 per cent, below 1929 rates.

Cost of Distribution

IN A RECENT ADDRESS on the subject of distribution costs, Nathaniel Engle, assistant director of the Bureau of Foreign and Domestic Commerce, presented an analysis of marketing and production costs in ten selected commodity lines, based on data collected by his bureau and the Bureau of the Census. Due to space limitations, only six of these are shown on the chart, three in the class of "convenience goods" and three "durable, shopping items."

In all six commodity lines the cost of distribution took

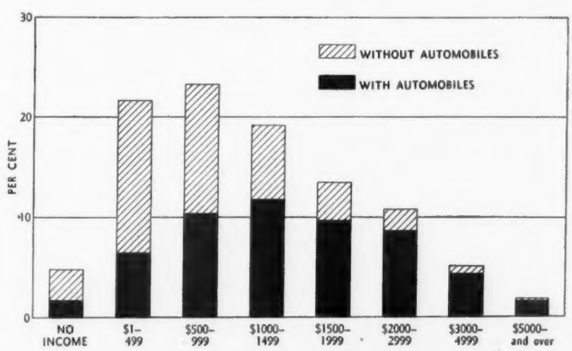


PRODUCTION AND DISTRIBUTION COSTS IN RELATION TO RETAIL VALUE—*1935—Department of Commerce—The cost of production of each commodity was computed on the basis of value added by the manufacturing process; the expense of marketing on the basis of distribution-cost ratios for manufacturers, wholesalers, and retailers.*

up a larger per cent of the retail volume than did the cost of production. The expense of marketing varied from 33 per cent of the retail value in cigars and cigarettes to about 55 per cent in radio and refrigerator lines. For total manufactured products the average distribution-cost ratio was somewhat lower: Mr. Engle estimated that in 1935 about 33 per cent of the value of the products was expended in distribution, compared with 40 per cent in production.

Car Ownership

SUNDAY TRAFFIC conditions notwithstanding, the United States Department of Commerce reveals that almost half of the families living in representative cities of the United States do not yet own an automobile. Of the 228,692 families which it covered in its market survey in 1934, 51 per cent had one car, 3 per cent had two, and 0.3 per cent three or more. This percentage of ownership is considerably larger than that shown for mechanical refrigerators (analyzed in the previous issue): while 54.3 per cent of the families reported owning at least one car, only 19.4 per cent of these same families had a refrigerator.



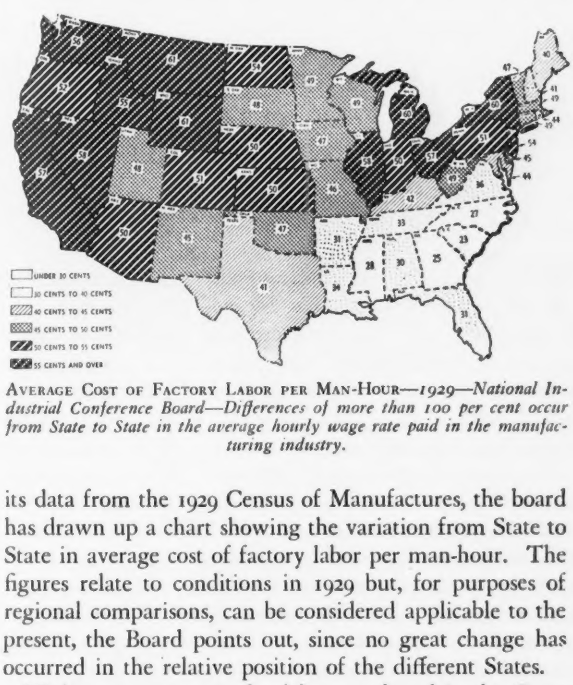
AUTOMOBILE OWNERSHIP IN RELATION TO INCOME CLASS—*1934—Department of Commerce, Bureau of Foreign and Domestic Commerce—The length of each bar shows the relative importance of the income class. The black area indicates the proportion of the class owning automobiles.*

Although the proportion of families with cars was a great deal smaller in each class of the low-income brackets than in each of the higher-income classes, families with incomes of less than $1,500 made up such a large part of the total that they owned more than half of all the cars.

In addition to its correlation of income and ownership of selected items, the survey throws light on regional variation in buying habits. It is impossible to give a detailed analysis here, but those wishing to appraise individual markets should find especially interesting the reports for the cities, and the possibility of combining them to give a sample for each geographical division in the country.

Labor Costs

LEGISLATION pending in Congress throws the spotlight on the question of regional differences in wage payments. A study recently made by the National Industrial Conference Board illustrates the extent of the problem. Taking its data from the 1929 Census of Manufactures, the board has drawn up a chart showing the variation from State to State in average cost of factory labor per man-hour. The figures relate to conditions in 1929 but, for purposes of regional comparisons, can be considered applicable to the present, the Board points out, since no great change has occurred in the relative position of the different States.



AVERAGE COST OF FACTORY LABOR PER MAN-HOUR—*1929—National Industrial Conference Board—Differences of more than 100 per cent occur from State to State in the average hourly wage rate paid in the manufacturing industry.*

Highest average rates for labor are found in the Great Lakes area and in the West. Montana and Wyoming lead the States, with an average hourly wage of 61 cents; New York and Michigan are next with an average of 60 cents. Less than half this rate is paid in most of the Southeastern States, the highest for the section being 34 cents in Louisiana, the lowest (for the country as well) 23 cents in South Carolina. The District of Columbia, with a 64-cent hourly average, is between two States with rates lower than 45 cents. In New England alone, labor costs in the several States vary by more than 20 per cent.

	INDUSTRIAL AND COMMERCIAL FAILURES												77-B PETITIONS §					
	Number of Failures			Liabilities *			Dun's Insolvency Index † Unadjusted			Dun's Insolvency Index † Adjusted ‡			Total Cases			Industrial and Com'l Cases		
	1937	1936	1935	1937	1936	1935	1937	1936	1935	1937	1936	1935	1937	1936	1935	1937	1936	1935
Jan. . . .	811	1,077	1,146	8,661	18,104	14,603	46.0	63.0	66.7	37.4	51.2	53.8	38	70	89	31	60	75
Feb. . . .	721	856	956	9,771	14,089	15,217	48.4	56.6	66.0	42.1	48.8	55.9	45	82	77	35	67	65
Mar. . . .	820	946	940	10,922	16,271	15,361	44.9	53.3	55.0	44.9	53.3	55.0	73	52	95	44	43	68
Apr. . . .	786	830	1,083	8,906	14,157	16,529	46.4	50.4	63.5	45.5	49.4	62.3	52	50	125	33	38	98
May . . .	834	832	1,004	8,364	15,375	14,339	45.4	46.4	58.8	45.4	46.4	58.8	61	49	121	44	44	100
June . . .	670	773	944	8,191	9,177	12,918	39.3	44.6	57.5	41.4	46.9	60.5	52	58	72	35	42	60
July . . .	618	639	902	7,766	9,904	16,523	36.0	38.3	52.8	40.0	42.6	58.7	59	40	92	36	36	78
Aug. . . .	707	655	884	11,916	8,271	13,266	38.1	36.2	49.8	44.8	42.6	57.9	52	36	83	30	24	66
Sept. . . .	564	586	787	8,393	9,819	17,002	34.1	33.4	50.0	40.6	39.8	59.5	32	33	56	22	24	42
Oct. . . .	768	611	1,056	9,335	8,266	17,185	42.6	36.2	61.8	46.3	39.3	67.2	64	48	86	48	33	61
Nov. . . .	786	688	898	10,078	11,532	14,384	49.2	44.3	59.4	47.8	43.4	58.2	66	38	52	57	30	41
Dec. . . .	. . .	692	910	. . . .	12,288	15,686	. . .	42.6	55.3	. . .	42.6	54.8	. .	35	84	. .	24	65
Total . .	. . .	9,185	11,510	. . . .	147,253	183,013	42.8	45.4	58.1	43.3	45.5	58.6	. .	591	1,032	. .	465	819

* In thousands of dollars. † Apparent annual failures per 10,000 enterprises. ‡ For seasonal variation. § For corporate reorganization.

ANALYZING THE RECORD OF INDUSTRIAL *and* COMMERCIAL FAILURES

NOVEMBER CONTINUES END-OF-THE-YEAR INCREASE

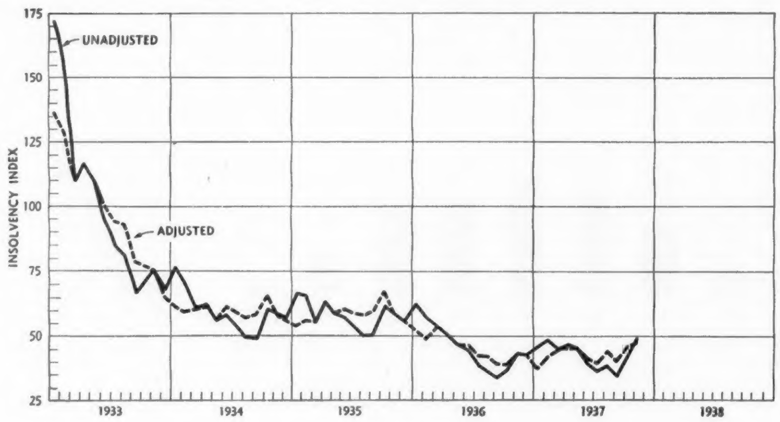
THE November record of commercial failures shows that in November in actual numbers there was an increase over October, from 768 to 786, which appears to be a slight upward change. But the November figures illustrate well the value of statistical analysis of such data. After the adjustments involved in preparing the Insolvency Index, primarily the correction for the number of working days, this Index shows a movement from 42.6 to 49.2, an increase upward of 15 per cent. The usual seasonal advance is 12 per cent. Using the seasonally corrected index, the current figure is the highest since April, 1936.

For the first seven months of the year, the index was below the corresponding months of 1936. August and September were slightly above their comparatives, but October and November have moved up decidedly. The December figures are running still higher. The record of 77-B cases is much the same, the 1937 level having exceeded 1936 for seven of the last nine months.

The amount of liabilities involved is so directly affected by the very large failures that monthly figures are apt to be erratic. November liabilities rose to $10,078,000 from $9,335,000 in October, thus reaching above the $10,000,000-mark for the third time this year, but liabilities are still well below the level of around $15,000,000 maintained for a period of two years from the middle of 1934.

In actual numbers reported, the increase in failures over October appeared to be all in the construction and commercial service groups. If considered on a daily basis, however, slight in-

Monthly Trend of the Insolvency Index



creases would have been apparent in the other groups as well. The chemical and drug business suffered increased failures in all three steps of manufacturing, wholesale trade, and retail trade. Retail food stores and restaurants also failed in larger numbers. Sixty in number, the failures in construction lines were again at the high point reached last Spring, and previous to that in the Spring and Fall of 1935. The larger increase over last November was apparent in all major groups, but retail trade failures showed the least change.

	November 1937	November 1936	Per Cent Change
Manufacturing	164	139	+18
Wholesale Trade...	82	65	+26
Retail Trade......	440	409	+ 8
Construction	60	46	+30
Commercial Service	40	29	+38
Total	786	688	+14

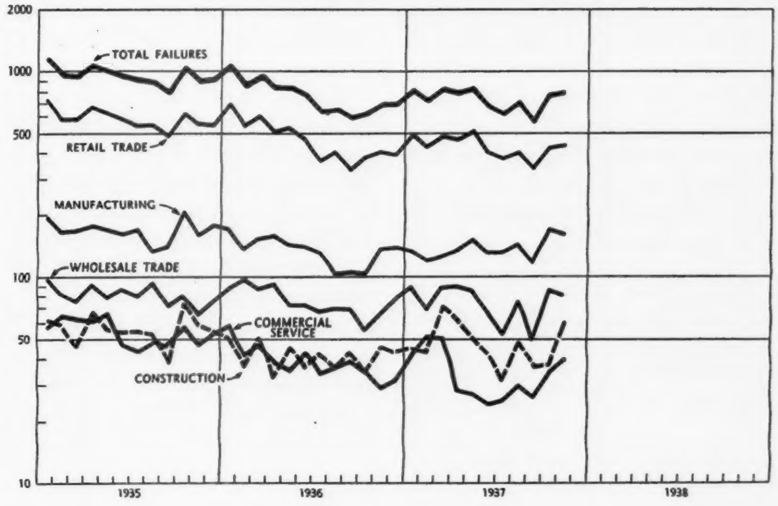
Contrary to the failures record, 77-B cases showed a big jump in manufacturing cases, which comprised 53 per cent of the total. Only three times before in the entire period of 77-B history has manufacturing so dominated the record. It is apparent, however, that the application of the law in the manufacturing field has been changing. The inception of the amendment found many large established manufacturers ready to avail themselves of this legal provision for reorganization. At the present time the cases include many small and new concerns with no large funded debts to readjust. If one considers successive six-month periods, the growth in the proportion of the very small companies in the manufacturing record has been continuous, rising from 21 per cent in the last half of 1934 to 35 per cent in the July-November 1937 period. The current month is above the average, with small cases making up 42 per cent. Of these, several had been operating only a few months, and without 77-B would most certainly have been found among the regular failures.

The distribution of failures by geographical divisions disclosed that the increase over October took place entirely in sections of the country outside the large cities. In fact, the number of failures in most of the twenty-five largest cities declined in November, with only Boston, Washington, D. C., and Louisville showing any appreciable upward change. This situation is reflected in large relative increases in the Federal Reserve Districts of Minneapolis, St. Louis, Atlanta, Richmond, and Boston (caused by Maine); moderate increases in Kansas City and Dallas; and decreases in the metropolitan districts of New York, Philadelphia, Chicago, Cleveland, and San Francisco.

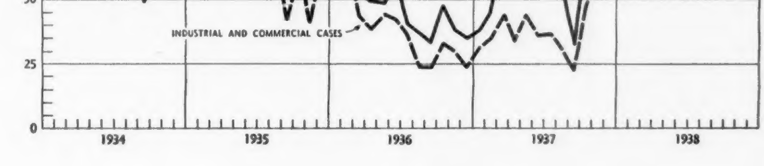
Distribution by size showed a notable increase in failures of substantial companies with liabilities between $25,000 and $100,000. This increase in large failures occurred in all industry groups except wholesale trade. Not since the Spring of 1936 have there been so many failures of this size, and they accounted in November for well over a third of all the money losses. Failures of smaller companies which usually show the greater fluctuations remained practically unchanged.

Very large failures have been fewer in number throughout the year than in 1936. Nine occurred this month with liabilities approximating $1,500,000.

Failures by Industrial Groups



Monthly Trend of 77-B Cases, 1934-1938



Two had previously been 77-B cases. One, a manufacturer, after effecting a reorganization in 1936, had made little headway and was thrown into bankruptcy by his creditors. The other, a trucking concern, had found reorganization impossible and filed voluntary bankruptcy.

Comparison by size with failures a year ago follows:

Liabilities	November 1937	November 1936	Per Cent Change
Under $5,000	327	308	+ 6
$5,000–$25,000	362	303	+19
$25,000–$100,000	88	63	+40
$100,000 and over	9	14	−36
Total	786	688	+14

The following table gives the industrial breakdown of the November 77-B cases. It is singular that the October number of cases in wholesale and retail trade, and construction remained unchanged. Compared with a year ago, however, the level of the trade cases is high. Real estate and financial, or non-industrial and commercial cases, were the fewest in number for many months. Considering then the majority of cases which occurred among manufacturers, certain facts are disclosed in the records. Applications were scattered throughout eight of the twelve branches of business, with foods, textiles, and machinery leading. Of the thirty companies capitalized under $1,000,000 only five included mortgages among their indebtedness, although many had chattel mortgages and conditional bills of sale encumbering their machinery and equipment. Insufficient capital, large inventories resulting from price speculation, increased costs of materials and labor, slow receivables, and machine competition were advanced as reasons for the financial difficulties. Of the three largest and oldest companies, only one was in default on mortgage payments. The other two, however, had very heavy bank loans, for modernization in one case, and to keep the business going through the depression in the other case. Neither had been able to make payments on these loans for some time past.

77-B Applications by Main Divisions of Industry—November 1937 and 1936

	Nov. 1937	Oct. 1937	Nov. 1936
Manufacturing	33	22	9
Wholesale Trade	8	8	3
Retail Trade	8	8	3
Construction	..	..	2
Commercial Service	5	5	10
Others (*)	8	14	8
Total United States	62	57	35

(*) Not included in tabulation of commercial failures, such as real estate and investment companies.

Failures by Divisions of Industry—November, 1937 and 1936

(Liabilities in thousands of dollars)

	Number			Liabilities		
	Nov. 1937	Oct. 1937	Nov. 1936	Nov. 1937	Oct. 1937	Nov. 1936
Total United States	786	768	688	10,078	9,335	11,532
Manufacturing (total)	164	172	139	3,058	3,793	3,631
Foods	37	45	43	549	834	1,273
Textiles	33	43	30	488	729	371
Forest Products	12	13	11	148	427	254
Paper, Printing and Publishing	13	12	11	174	128	582
Chemicals and Drugs	6	3	2	79	63	27
Fuels	..	3	3	..	57	122
Leather and Leather Products	9	3	2	197	95	28
Stone, Clay, Glass and Products	4	3	5	148	16	221
Iron and Steel	9	9	4	473	354	96
Machinery	10	12	8	232	174	386
Transportation Equipment	4	5	6	66	212	107
All Other	27	21	14	504	704	164
Wholesale Trade (total)	82	87	65	1,391	1,431	932
Farm Products, Foods, Groceries	27	40	25	593	613	406
Clothing and Furnishings	7	3	4	87	21	41
Dry Goods and Textiles	2	2	2	21	39	34
Lumber, Building Materials, Hardware	4	7	4	63	197	52
Chemicals and Drugs	9	4	3	81	112	26
Fuels	4	2	6	72	33	143
Automotive Products	8	6	4	135	76	63
Supply Houses	1	4	3	2	69	22
All Other	20	19	14	337	271	145
Retail Trade (total)	440	437	409	3,816	3,116	3,901
Foods	151	146	144	904	721	958
Farm Supplies, General Stores	23	24	28	197	169	234
General Merchandise	19	21	15	196	163	81
Apparel	74	81	56	499	464	390
Furniture, Household Furnishings	20	23	20	179	256	242
Lumber, Building Materials, Hardware	21	23	23	187	245	665
Automotive Products	35	38	38	680	364	233
Restaurants	43	32	37	576	403	621
Drugs	31	27	21	240	208	184
All Other	23	22	27	158	123	293
Construction (total)	60	37	46	994	424	2,781
General Contractors	5	3	11	168	40	216
Carpenters and Builders	18	14	12	288	221	1,553
Building Sub-contractors	35	20	23	497	163	1,012
Other Contractors	2	..	..	41	..	..
Commercial Service (total)	40	35	29	819	571	287
Cleaners and Dyers, Tailors	4	4	12	10	39	63
Haulage, Buses, Taxis, etc	19	13	8	608	354	109
Hotels	2	2	2	32	6	89
Laundries	2	3	..	37	47	..
Undertakers	4	2	2	27	15	9
All Other	9	11	5	105	110	17

Canadian Failures

Canadian failures rose 40 per cent in November to a total of 89, with liabilities of $920,000. This increase brings Canadian failures back to the level of last April after the Summer and Fall seasons in which they were at their lowest levels in many years.

As in the United States, the increase was in sections of the country outside the large cities, for the most part in Ontario and the western Provinces. Both manufacturing and retail trade failures increased nearly 50 per cent, with the other groups remaining unchanged. Retail trade failures, however, comprise 70 per cent of all Canadian failures.

Note: In Dun's Statistical Review there are published more detailed failure statistics by States, large cities, industrial divisions, and size of liabilities.

HERE AND THERE IN BUSINESS

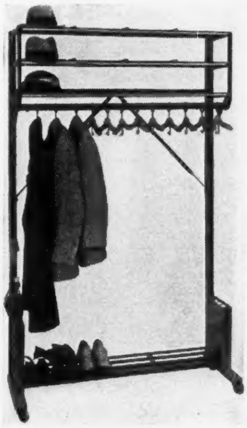
WHAT'S NEW AS OBSERVED BY THE AGENCY'S REPORTERS

IF Ralph Hitz is as successful a prophet as he is a hotel operator, correspondence schools teaching languages will have to find a new sales peg. In the years to come "They laughed when I picked up a menu," will have lost its punch.

The current trend toward a wider use of pictures in newspapers and magazines, Mr. Hitz declares, foreshadows the day when simplified photographic menus will replace the more prosaic ones we read today. The menu he has in mind will have a candid pantry shot of each dish, held together with a special binding which will permit a change of illustrations and captions daily. Just now he is conferring with magazine men about the technical aspects of the idea. His next worry, he suspects, will be to find chefs with a feeling for good photography.

For Winter—Inappropriately or not, it is the Skybryte Company of Cleveland, Ohio, which has developed a new sun glare liquid to be brushed or sprayed on windows. Pale green, it allegedly admits 90 per cent of the light, but reduces it to a mellow, soft-diffused illumination. Adhesive, it remains on the glass until washed off with hot water and a stiff brush. Name, Snopake. Purpose, for factory windows adjacent to broad expanses of snow.

Element—Until the Black Hills of South Dakota began to yield up their treasure of tantalum a few months ago, the only commercial deposits in the world were thought to be in a desert in Western Australia. There, because of lack of water, mining operations could be carried on only during the brief rainy season. Now with the new Dakota mine, operated by the Fansteel Metallurgical Corporation, it appears that tantalum will become available in much greater quantities.



Tantalum is a metallic element which earned its name by puzzling for hundreds of years chemists who sought to separate it from a companion-element, columbium. Its final domestication reveals that their efforts were well directed, for among its valuable properties are a high melting point, strength, and a great resistance to acids.

In the manufacture of corrosion-resisting equipment, tantalum is fabricated by a sheet metal technique. Because the metal is valuable and because of its strength, tubing with a wall thickness of one-fiftieth of an inch operates with safety at 150 pounds of steam pressure. Chemical engineers accustomed to heavy castings are skeptical of such flimsiness, but to refute their doubts there are installations of tantalum equipment which after eight years still continue in service.

Open—Especially for the Winter months, when coats are damp and umbrellas are dripping, Vogel-Peterson, Inc., of Chicago, "The Check Room People," suggest their new, open utility wardrobe rack.

More sanitary than office lockers, they imply, and space-saving as well. The clothes of three persons to every square foot is the ratio the rack makes possible. A four-foot section has a place for twelve coats, twelve hats, twelve pairs of rubbers, and unbrellas (see illustration at left). Longer sections come in even foot lengths.

Welding—Parallel bands of concrete, brick, stone, and glass block with sash in alternating panels sweeps around this curved-track side of the Lincoln Electric Company's new 200,000-square-foot all-welded factory addition. Incorporating rigid, trussless

Built for the Lincoln Electric Co., this all-welded 200,000-square-foot factory addition was completed within 100 days of the date when drawing of plans was authorized.

sawtooth design, the structure reflects a growing interest in functional principles on the part of industrial builders in general and its designers, the Austin Company, in particular.

Located at Cleveland, this Lincoln plant is an arc welding equipment factory. Completion of the addition coincides happily with the lifting of restrictions against welded construction in New York and Chicago, which now become important new markets. To prospective builders Lincoln is in a position to demonstrate that welded construction has begun at home.

Transport—Having completed two years of trans-Pacific air service, Pan American Airways reports these totals: passengers carried, 1,986; miles flown, 1,888,773; air-mail letters, 3,562,976; other cargo, 505,944 pounds; accidents, none.

Process—This, which is mostly about cashew nuts, is a research story told to the New York Stock Exchange Institute by Clarence Francis, president of General Foods. It explains how cashew imports of 100,000 pounds in 1923, at $1.50 a pound, have grown to 27,000,000 pounds annually selling for 40 cents.

In the $1.50 days the cashew nut was risky to handle. It broke easily, and it was extremely susceptible to infestation by the Indian meal moth. On the long voyage from India insects would hatch in the nuts, with the result that yet another cargo would be condemned on arrival.

The long-sought, finally achieved remedy makes use of an inert gas process and a flexible-walled container. From the container all air is withdrawn, later replaced with carbon dioxide, which is ordorless, tasteless, and harmless. By absorbing some of the gas the nuts create a partial vacuum and pull the walls of the containers tightly in about them. Hence no more breakage. But more than this, the gas helps in preventing insect infestation and cashews are no longer dumped in the harbor.

Winners—Who thinks what about industrial and public relations, and economic and market research? After button-holing 442 "industrial leaders" on these four topics the Market Research Corporation of America is prepared to report, among other things, which agencies are generally favored in the several fields.

Most often mentioned as the outstanding specialists in industrial relations were Industrial Relations Counselors, Inc.; in public relations, Edward L. Bernays; in economic research, Colonel Leonard P. Ayres.

By Mail—In a sense the etchings which illustrate this issue of DUN'S REVIEW are children of the depression. They can be traced directly to a meeting in the Summer of 1934 when twenty-three artists met to discuss ways and means for enlarging the market for their works. The buying of pre-depression collectors had proved extremely mercurial, and it had become clear that interest in art in this country must be established on a broader base. Why not, thought these artists and others interested, sell a limited number of their pictures on a mail-order basis at very reasonable prices. Their appreciation awakened, new initiates would make further acquisitions.

So began Associated Artists of America. With a sales program soundly conceived, aptly timed, and astutely publicized, the organization has been favorably received by new collectors, the press, museums, and others.

The simple, but effective mechanics of the AAA plan flow directly from straightforward action three years ago. First of the problems faced was a medium of expression. They were to rely on distribution at a reasonable price; therefore etchings and lithographs. Should the price be $10? No, $5. Who would contribute? The original twenty-three; later other accredited American artists who agree to participate. Currently there are more than fifty.

"A Drink of Water," an original etching by Thomas Benton. (Courtesy of Associated American Artists, New York.)

How, the artists next asked themselves, assure authenticity and uniformly high quality of craftsmanship? The prints to be sold would be only those to which the artists would sign their names. How give them the added attractiveness of a sound investment? Editions would be limited, averaging 125 impressions, in no case more than 250.

Further mechanics are these. The selection of prints to be sold is made by a jury of critics, curators, and artists. For each work chosen the artist is paid a flat sum. Prospective buyers learn of the AAA through enthusiastic friends or by mail. Catalogues showing photographs of current editions are published four times a year. Artists whose works represent them in the present catalogue include Gordon Grant, John Steuart Curry, George Elmer Browne, and John de Martelly.

UNDISTRIBUTED PROFITS TAX COSTS

(Continued from page 22)

various samples. But with due allowance for possible inaccuracies, it may be significant that the heavy industries, iron and steel, and machinery and electrical equipment topped the others. Drugs and chemicals, foods, and paper, printing and publishing paid least. Textiles and leather, and wood, stone, clay, and glass occupied a middle ground.

Only One Tax

Perhaps it may be unfair to consider the Undistributed Profits Tax only by itself in estimating tax incidence, since it is only one part of a complex tax system. If the increased graduations of the Corporation Normal Tax were enacted with a view to equalizing the total tax burden between corporations of different size, comparisons should be made on the basis of the combined Normal and Undistributed Profits Taxes.

Viewed from this angle, the picture undergoes a distinct metamorphosis. Average normal income taxes (unweighted) for all corporations in the sample were 13 per cent of book earnings; but for the small group, 11 per cent; for the medium-sized companies, 13 per cent; and for the largest, 15 per cent. The two taxes combined averaged 14.8 per cent of book earnings for the small concern, 15.3 per cent for the middle group and 17.1 per cent for the large corporations, as against 15.6 per cent for all concerns. Thus it is evident that the lower normal tax rates and the specific credit allowed small-income corporations against the Undistributed Profits Tax effectively offset the increased tax burden arising from the need or practice of the small corporation of retaining a large share of its profits.

The data may include an answer to the question of how much the Undistributed Profits Tax increased the total corporate tax bill. Using the average percentage figures already quoted, it appears that the tax bill for all corporations in the sample was raised by 20 per cent (the increase of 2.6 per cent over the 13.0 per cent). However, the small corporations found their tax bill inflated by 35 per cent, as against only 18 per cent for the middle group and 14 per cent for the large. Of course, in considering the total yield or burden of the Tax, we must add to these direct payments, the increases in individual income taxes which resulted from larger dividend disbursements. Estimates as to the level of corporation normal taxes required to give this same total yield have been as high as 25.5 per cent.

Final conclusions should not be drawn from these data as to the burden of the Undistributed Profits Tax. The tax bill was passed in the middle of 1936, but it applied retroactively to the whole year's operations. As a result, business had only six months in which to formulate new policies, and it is likely that such adjustments as were made do not represent permanent policy under the Tax.

Revised Returns

Another grain of salt must be added. The data reflect the tax which the reporting corporations believed, or perhaps hoped, that they would pay. Many may have filed tax returns which will be considerably revised when they are reviewed by the Treasury Department. Some may have misinterpreted the provision allowing the specific credit. Others may have claimed credits for contractual restrictions with their fingers crossed, realizing that such credits would probably be disallowed. As one concern put it, "Claimed $.... paid on bonds but do not expect to get away with it. If we have to pay, our surtax will be 8 per cent instead of 3½ per cent as shown."

As a concluding word, it should be noted that the situation described here is not a simple story of "The Undistributed Profits Tax and Corporate Policy." On the contrary, a full interpretation can only be achieved by keeping in mind all the other elements in a tax system which, because of its haphazard construction, because of constitutional or interpretational limitations, or because of political inexpediency, is prevented from achieving perfect equity.

TO EXECUTIVES
... interested in the sale of merchandise items

Let us send you a free copy of this new book, without obligation. It describes the world's largest merchandise mart — where tomorrow's successes are on view today. The latest offerings in every conceivable line for the department and specialty store are completely and thoroughly covered by the 6,000 exhibitors from 25 countries. The Fairs regularly attract some 250,000 buyers from 72 countries. For bigger profits in 1938, we urge you to plan now to visit the coming Spring Trade Fair — March 6th to 11th. Write today for copy of Book No. 94.

TO EXECUTIVES
interested in manufacturing equipment and processes

Send for a copy of this new book today. It describes the Great Engineering and Building Fair (March 6th to 14th) where the latest technical developments in machinery, equipment and new materials for your industry are displayed. 2,500 exhibits — the majority of the machine exhibits in actual operation — make this the largest machinery exhibit in the world. Write today on your business letterhead for a free copy of this interesting Book No. 95.

Leipzig Trade Fair, Inc.,
10 East 40th Street, New York

Leipzig
TRADE FAIRS
FOR 700 YEARS THE WORLD'S MARKET PLACE

LONG-TERM STATE AND LOCAL DEBT

(Continued from page 16)

means of determining its weight is generally recognized as unsatisfactory for a number of reasons. Among them are the facts that the basis of assessment varies from State to State, that the quality of assessing is uneven in value, that the ratio to full value follows no set standard, and that assessed valuation varies as to the categories of property included and does not comprehend all the resources available for meeting debt obligations.

If economic debt paying capacity could be measured precisely, the analysis of public credit would advance notably toward the realms of exact science. The present study makes no claims to results attaining any such precision, but it does offer what is believed to be a practical index of the relative debt paying abilities of the forty-eight States. It should be emphasized that the measurement standard evolved is not absolute but relative, and therefore is applicable to comparison of debt paying capacity among the States rather than to determination of the maximum limit to which a State may safely borrow.

The choice of measurement factors is somewhat circumscribed by availability. But seven economic indices, each one bearing an important relation to State resources and having a particular connection with ability to meet public debt obligations, have been made the components of a weighted index of what may fairly be referred to as debt paying capacity.

Components

The seven series employed are: percentage of population making Federal income tax returns; percentage of population making returns above $5,000; retail sales per capita; gasoline consumption per capita; motor vehicles per 1,000 population; estimated taxable property value per capita; savings deposits per capita. The reasons for the choice of these factors and for the exclusion of others, as well as the methods for their utilization, are elaborated in a publication upon which this summary is based.* The resulting indices, expressed in sums of percentages of medians, are given in the table on page 16 with the States ranked in order from the highest to the lowest.

Noteworthy in reflecting the wide disparity in the debt paying resources of the States is the fact that the first ranking State, New York, shows more than six times the ability of the forty-eighth ranking State, Mississippi.

In the first twelve States those along the north Atlantic seaboard predominate. This group comprehends all of the New England States except Maine and Vermont, and embraces New York, New Jersey, Delaware, and Maryland; then skips westward to take in Illinois, and moves much farther west to include California, Nevada, and Wyoming.

Certain of the heavily industrial States, such as Illinois, Pennsylvania, Ohio, and Michigan, undoubtedly are ranked moderately below their normal positions. This arises from the fact that the retail sales and income tax components are based on figures for 1935, which still disclosed something of these States' abnormally reduced economic status in the depression.

How debt burdened, comparatively, are the States? This question is really answered only when their combined direct and local debts are related to economic ability to pay. This procedure has been essayed by relating the per capita net tax-supported debts, State and local, to the respective indices of debt paying capacity—both shown in accompanying tables. The resulting relative positions of the States with respect to debt load are depicted in the chart on page 16.

At this point the fact may be stressed that the maximum amount of debt which a community can support is an unknown quantity. Heavily indebted areas have accumulated their obligations so recently that there has been no

* Edna Trull, *Resources and Debts of the Forty-eight States*, DUN & BRADSTREET, INC., 1937.

Help Someone Succeed

BY SENDING US HIS NAME

IF YOU know some worthy and ambitious man or woman who wants to find a way to win a fair reward in a life work, do this:

Suggest a career in life insurance field work and if you think this individual might be interested send us the name to the address below.

The Mutual Life Insurance Company of New York places a high value on sincere recommendations if based on personal knowledge of the character of those recommended.

To selected individuals who possess energy, common sense, character, stability and genuine sympathy with others, The Mutual Life offers personal direction and training in life insurance field work, leading to permanent careers in the communities chosen.

The Mutual Life's new 32-page booklet "Can I Make a Living as a Life Insurance Representative?" is available to those who wish to consider the subject seriously; also name of nearest Mutual Life manager.

ADDRESS: *Vice President and Manager of Agencies*

The Mutual Life
Insurance Company of New York
34 Nassau Street, New York

test of long-term capacity to pay. On the basis of the experience of the depression, however, probably few would question the assumption that the present average State and local debt load is not too ultra-conservative a standard for safety in borrowing.

The debt load ratios permit the determination of the relationship which the overall debt load of each State bears to the average, or median, and to the other States. Those States which are close to the median constitute the normally indebted units on the basis of the present general level of borrowing. As the debt load ratios drop below the median, they indicate increasingly greater conservatism in borrowing, while as they move upward they reflect progressively heavier than average drafts on resources for the support of debt.

The range in overall debt load is startlingly wide, with Florida, at the upper extreme, ten times as heavily indebted in relation to paying capacity as Nevada, at the lower end of the scale. As Florida is by no means entirely isolated in its position, the situation suggests the need for more agreement as to public borrowing and lending standards.

The median debt load ratio (per capita debt load to index of paying capacity) is 6 per cent. Roughly one-third of the States fall within one point of this figure. There are twelve States which have a debt load ratio only two-thirds of the median. At the upper end of the range, however, are three States with debt loads over three times the median and two with more than twice the average debt load.

Such analysis reflects the danger of depending on bare debt statistics to convey the facts regarding the weight of the debt. States with similar per capita overall debts may be far apart in the debt loads which they support, while States with widely divergent per capita debts may be close in the relation of debt to resources. This is evident from comparison of the two charts and is clearly illustrated by the following selected figures:

	Overall Per Capita	Debt Load Per Cent
Mississippi	$84.77	18.15
Missouri	83.26	6.09
Colorado	84.15	5.30
Delaware	85.20	4.04
New York	266.06	9.35
Alabama	61.78	10.56

The regional distribution of the overall debt load of the States evinces certain noteworthy characteristics which the second chart brings clearly to the eye. Most conspicuous is the almost solid block of Southern and West South Central States which is carrying the nation's highest State and local debt burden. Included in this group are all the States south of Missouri, Kentucky, and Virginia with the exception of Georgia. New England stands out as the most conservatively indebted region, while the relatively high burdens of New York and New Jersey are in marked contrast to their neighbors. The East and West North Central States reflect from normal to conservative debt loads except for South Dakota, Minnesota, and Michigan. Texas, in the Southwest, rises well above the average, as does New Mexico, and to a less extent Arizona, among the Mountain States. On the Pacific Coast only Oregon diverges from conservatism, and it is not to any marked degree. The physical, economic, political, and legal causes of the debt load checkerboard provide material for unlimited further study of public credit.

CHEMICAL BANK & TRUST COMPANY

165 Broadway, New York

Established 1824

CONDENSED STATEMENT OF CONDITION

At the close of business, December 31, 1937

ASSETS

Cash and Due from Banks	$208,867,186.55
U. S. Government Obligations, Direct and Fully Guaranteed	106,644,944.07
Bankers' Acceptances and Call Loans	65,813,999.00
State and Municipal Bonds	22,525,680.93
Other Bonds and Investments	30,735,608.20
Loans and Discounts	145,786,757.03
Banking Houses	1.00
Other Real Estate	6,050,810.51
Mortgages	3,278,996.98
Credits Granted on Acceptances	7,811,508.77
Other Assets	1,289,358.13
	$598,804,851.17

LIABILITIES

Capital Stock	$20,000,000.00	
Surplus	45,000,000.00	
Undivided Profits	9,625,894.44	$74,625,894.44
Dividend Payable Jan. 3, 1938		900,000.00
Reserves, Taxes, Interest, etc.		7,924,807.57
Acceptances Outstanding	$11,371,209.94	
(less own acceptances held in portfolio	3,044,702.36	8,326,507.58
Other Liabilities		652,319.77
Deposits *(including Official and Certified Checks Outstanding $17,528,620.68)*		506,375,321.81
		$598,804,851.17

U. S. Government Obligations and other securities carried at $15,189,384.11 in the foregoing statement are deposited to secure public funds and for other purposes required by law.

Charter Member New York Clearing House Association
Member Federal Reserve System
Member Federal Deposit Insurance Corporation

THE BUSINESS BOOKSHELF

BUSINESS . . . FINANCE . . . ECONOMICS . . . GOVERNMENT

IF YOU are an advertising manager, a copy writer, a publisher, or the head of a business, James R. Adams has addressed a substantial part of *More Power to Advertising* (Harpers, $2.50) to you. Most of his business life the author has spent in advertising, and by now his thoughts about the functions which each performs, or should perform, are pretty well crystallized.

How long it has been until "by now" is impossible to determine precisely from a reading of his book. One of the few clues is the chapter title "Advertising Needs Older Men." His publishers say that he is executive vice-president and a founding partner of one of the first fifteen advertising agencies. Also that the value of the advertising he has written or helped prepare runs up to about $100,000,000, which is a sizable amount of anything —even advertising—and must have required many years.

Mr. Adams is not a writer of whom one can say "his thesis is this" or "his points are three." Rather, his book is conversational in tone, written loosely in an it-seems-to-me manner. Such a book skips along from topic to topic, from observation to observation. Ideas gain emphasis not from a favored place in the argument, but solely from repetition.

In *More Power to Advertising* several thoughts appear again and again. Perhaps the most important, in Mr. Adams' mind, is that some part of all advertising should help to build an enduring reputation for the company which advertises. If today you sell the company as well as the product, he would say, tomorrow's job of selling tomorrow's new product is already half done.

Another point which recurs frequently is the constant need of moderation if advertising is to be effective and also if it is to save its skin from the wrath of a periodically outraged public. Actually this thought embraces several others. For example, caution and moderation would dictate that boastfulness be taken out of copy, that new products—since so many will be disappointing—be launched without fanfare, that advertising messages be kept simple, that forced sales through premiums and drastic price cuts be avoided, that commercial radio announcements be less unctious and dogmatic.

A final, often-repeated thought is that there is no formula so good that it will not break down. To be sure, there are in advertising a few elementary truths but beyond that, in their application, circumstances alter cases. It is characteristic of the book that the author illustrates this point with the story of the failure of one of his own formulas.

CURRENT READING

BOOK	AUTHOR	SUMMARY
COLLECTIVE BARGAINING FOR TODAY AND TOMORROW. Edited by Henry C. Metcalf. Harpers, 178 pages, $2.25.	Contributors: C. R. Dooley, Francis Goodell, Harlow S. Person, Orway Tead, John D. Moore, David J. Saposs, Scoville Hamlin, Jacob S. Potofsky, and Don H. Taylor.	A symposium growing out of a series of lectures on collective bargaining by ten authorities in the field of labor relations, presenting their experiences and points of view and citing a number of actual case histories.
THE ABC OF MUNICIPAL BONDS, by Louis Lebenthal. Harpers, 153 pages, $1.50.	Since 1922 engaged in general investment activity, specializing in municipal bonds; founding partner of Lebenthal & Co.	A non-technical presentation of principles of the subject, relating how a municipal bond is born, lives, and dies, and analyzing it as a medium for sound investment.
COST ACCOUNTING, by W. B. Lawrence. Prentice-Hall, 475 pages, $5.	Certified public accountant; director, cost accounting and statistical department, American Photo-Engravers' Association; professor of accounting, DePaul University.	Revised edition of a definitive work. Because of new legislative demands for more intensive cost analyses there are new chapters on process and distribution cost accounting. Material on standard costs has also been considerably expanded.
LET YOURSELF GO, by Fred B. Barton. Hillman-Curl, 202 pages, $2.	At different times a war pilot, advertising copy writer, supervisor of chain stores, and traveller, the author is a frequent contributor to well-known periodicals.	A lively, entertaining admonition to those who have been putting off the time when they will inject a greater measure of balance and enjoyment into their day-to-day activities. Foreword by Roger Babson.
TESTED SENTENCES THAT SELL, by Elmer Wheeler. Prentice-Hall, 208 pages, $3.75.	President of Tested Selling Institute; vice-chairman, Research Committee, Sales Executives' Club of New York.	A maker of sales phrases tells how he analyzes the reasons for consumer buying and what he does to assure greater success at the crucial point-of-sale.
WORLD ECONOMIC SURVEY, 1936-1937. League of Nations, 239 pages, $1.50.	Prepared by J. B. Condliffe. Publishing agent in this country for the League of Nations is the Columbia University Press.	A summary of other, more detailed League of Nations surveys which review and compare national trends in production stocks, price levels, trade, credit, and labor conditions.
THE TOWERS OF NEW YORK, by Louis J. Horowitz and Boyden Sparks. Simon & Schuster, 277 pages, $2.25.	The former, president of Thompson-Starrett Company, is the biography's subject; the latter, his collaborator, is a feature writer for magazines and newspapers.	The life story of a Polish immigrant who became head of an important construction company, built a great number of New York's skyscrapers, and in the natural course of events met and worked with many prominent industrial and financial leaders.
WHEN LABOR ORGANIZES, by Robert R. R. Brooks. Yale University Press, 361 pages, $3.	Rhodes scholar; assistant professor of economics, Williams College; author of *The United Textile Workers of America.*	A dispassionate study of the labor union in the United States, looking upon it as a business enterprise and reviewing the changes in labor's status since the beginning of the NRA.
MORE POWER TO ADVERTISING, by James R. Adams. Harpers, 176 pages, $2.50.	Executive vice-president and general manager, McManus, John & Adams, Inc., advertising agency.	Forty-odd short essays on as many phases of advertising, from copy to account mortality rates, written in a light, entertaining vein. Reviewed in this issue.

AN ANALYSIS OF FTC ACTION

(Continued from page 13)

Kraft Cheese case and Bird case, that it will take a reasonable view in construing the phrase "only due allowance." Where the facts before it are reasonably indicative of a differential predicated on actual differences in cost, it appears that the Commission will not take upon itself the burden of a detailed analysis of the costs involved. This attitude is indicated by the Commission's use of such terms as "explicable by the costs,"[28] and "the record indicates."[29] In one case,[30] the Commission stated that it did not have a complete cost analysis available but the record tended to show that the economies in materials, styling and selling effected savings commensurate with the differential being considered.

In one interesting case, treated as involving the "due allowance" problem,[31] the facts were as follows: The manufacturer sold certain articles to a chain retailer. The principal office of the chain sent out to its branches a list of the manufacturer's products. On these lists were placed illustrations of the products upon payment by the manufacturer to the retailer of a nominal sum of $3, constituting half of the cost of the illustrations. The Commission stated, as to dismissal of the case, that the manufacturer was *paying for a service rendered.* The service rendered, it should be noted, was the listing of the merchandise by the chain rather than its illustrations of the manufacturer's products, because had the manufacturer been required to send lists of the articles to all of the branches of the chain, the costs to the manufacturer would have been at least as great as the sum paid to the chain. Therefore, while apparently the allowance was for advertising, in fact it could be justified as a *saving in the costs of selling.*

In another interesting case,[32] a manufacturer (of sanitary napkins) had allowed an extra trade discount of 14½ per cent to wholesalers. The manufacturer also sold direct to retailers without the discount. The Commission, in dismissing the case, said that the dif-

[28] Case 4. [29] Case 50. [30] Case 16. [31] Case 26.
[32] Case 4, *supra.*

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

Statement of Condition,
December 31, 1937

RESOURCES

Cash and Due from Banks	$ 708,039,850.53
U. S. Government Obligations, direct and fully guaranteed	603,362,028.86
State and Municipal Securities	81,129,409.14
Other Bonds and Securities	162,019,139.60
Loans, Discounts and Bankers' Acceptances	728,522,484.20
Banking Houses	36,520,660.45
Other Real Estate	6,141,828.32
Mortgages	11,726,121.33
Customers' Acceptance Liability	23,646,601.27
Other Assets	14,271,287.35
	$2,375,379,411.05

LIABILITIES

Capital Funds:		
Capital Stock	$100,270,000.00	
Surplus	100,270,000.00	
Undivided Profits	31,120,741.37	
		$ 231,660,741.37
Reserve for Contingencies		16,969,701.49
Reserve for Taxes, Interest, etc.		1,551,746.20
Deposits		2,069,989,515.12
Acceptances Outstanding		25,707,614.28
Liability as Endorser on Acceptances and Foreign Bills		23,637,678.41
Other Liabilities		5,862,414.18
		$2,375,379,411.05

United States Government and other securities carried at $152,427,444.32 are pledged to secure public and trust deposits and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation

ferential was ***explicable by the costs of indirect selling to small accounts*** which purchased through the wholesaler. This presents an interesting alliance between the functional discount—no competition—approach and the "due allowance" approach. The other cases involving "due allowance" have less peculiar significance.

VI. LACK OF INJURY TO COMPETITION: The Act is effective, of course, only where the effect of a discrimination is

> "substantially to lessen competition or tend to create a monopoly in any line of commerce, or *to injure*, destroy, or prevent *competition* with any person . . . " (Italics supplied.)

As above stated, this was the most often used ground by the Commission in dismissing the 64 cases and also played a leading part in the Kraft Cheese and Bird cases.

In three cases,[33] the Commission stated that ***where the prices of the manufacturer were identical or practically identical in a given community or trade area there was no injury to competition*** and no violation of the Act, although the prices of the manufacturer in the community were lower than elsewhere in the country.

In two other cases,[34] the Commission held that ***sales at price differentials to different trade outlets where the outlets did not compete was no violation*** of the Act. This furnishes another support for the validity of functional discounts. In the first of these cases the sale was of a beverage syrup to jobbers who supplied soda fountains at a price 20 per cent higher than that granted to bottlers. These two outlets did not compete because their resale outlets did not overlap. In the other case, a manufacturer of tire retreading machines gave a greater discount to distributors buying for resale than to service station operators. This was apparently a straight functional discount and the Commission held that since there was no competition between the two type customers there was no violation of the Act.

Yet another principle was used by the Commission in dismissing a case[35] involving an alleged discrimination based on an upcharge of 1 cent on a carton of cigarettes for sale out of stock as against drop shipments. Here the Commission said that there was ***no "unjustified discrimination" because competitors were selling at "comparable and lower prices."*** The implication is that the purchasers out of stock could have purchased from a competitor of the seller of the cigarettes at a price commensurate with the price of the seller on drop shipments. Other cases of interest are given in the footnotes.[36]

VII. MEETING COMPETITION: In considering facts involving alleged violations of Section 2 (a) of the Act, the Commission necessarily had to consider the defenses thereto set up in Section 2 (b) of the Act. There it is provided:

> "That nothing herein contained shall prevent a seller . . . showing that his lower price . . . was made in good faith to meet an equally low price of a competitor, or the services or facilities furnished by a competitor."

A typical situation, involving this ground as one of those considered in dismissal, is presented by a case[37] in which a baker sold bread at 6 cents in certain cities in a State and at 8 cents in other cities in the same State. The practice was commenced to meet the prices of local bakers and spread because of competition due to overlapping sales territories to cities outside those in which the local competitors operated. After the prices of the local competitors had been raised, the baker discontinued the practices complained of.

In another case,[38] a mail-order firm was charged with selling auger-bits at 10 cents each, which was allegedly an unreasonably low price and fixed with the purpose of eliminating a manufacturer who sold bits to the retail competitors of the mail-order house. It was charged also that such price could only be based upon purchases by the mail-order house upon a discriminatory basis. The Commission found, however, that the complaining manufacturer's retail customers had created the situation which necessitated the discriminatory price charged by the mail-order house and for that reason, as well as some others, the case was dismissed.

VIII. SELECTION OF CUSTOMERS: The second proviso of Section 2 (a) provides:

> "That nothing herein contained shall prevent persons engaged in selling goods, wares, or merchandise in commerce from selecting their own customers in *bona fide* transactions and not in restraint of trade . . . "

In one of the cases[39] before it, the Commission, to some extent, construed the term "bona fide." There, a tobacco manufacturer offered a discount to large buyers, but refused to sell at any price to cooperatives buying in comparable quantities. The Commission stated that there was no discrimination, but merely a refusal to sell or a selection of customers and that it was satisfied with the selection of customers where the selection was made after considering (a) the number of distributors already sold, (b) current credit responsibility, and (c) the general business methods of the proposed customer. The latter of these three tests is probably the most significant and should be of considerable comfort to sales managers in setting up and obtaining adequate and able distributors. But it should be remembered that the Commission also threw out a word of warning by stating that in the particular case there was no cooperation or collusion between manufacturers in the selection and no evidence that such selection resulted in restraint of trade.

IX. CHANGES IN PRICE REFLECTING CHANGES IN MARKET CONDITIONS: The third proviso in Section 2 (a) of the Act is

> "that nothing herein contained shall prevent price changes from time to time . . . in response to changing conditions affecting the market . . . "

In one case,[40] a manufacturer was charged with discrimination between competing customers where one of the customers purchased large quantities of cardboard folding egg boxes at $3.20 before the rise, while other purchasers

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[33] Cases 15, 39, 43. [34] Cases 32, 62. [35] Case 1.

[36] *Case 30*—A seller of drugs selling direct to retailers permitted all of its retailers, upon the purchase of $30 worth of merchandise, to become stockholding customers of the manufacturer. These retailers who became stockholding customers were then granted a 40 per cent discount against a 6 per cent discount allowed to retailers outside of the stockholding customers and a 10 per cent discount allowed to ordinary wholesalers. In sales of nearly $60,000 per month only approximately $100 worth was sold to retailers who were not stockholders. The Commission held that, since the plan was open to all and since all retailers who considered the products of the manufacturer a significant part of their business were members of the plan, the plan had not "to any noticeable degree unfavorably affected competition or injured competitors of the company using the plan or competitors of its customers."
Case 38—A manufacturer of hats sold a subsidiary jobber at prices which were alleged to have enabled the subsidiary to resell to other jobbers. The manufacturer also sold direct to retailers in competition with its own and other jobbers. The Commission stated that the case was closed because the subsidiary was merely a different corporate name for the "same family" and did not "introduce an additional element of competition."

[37] Case 27. See also Cases 5 and 7.

[38] See Case 11. See also Cases 21, 43, 48.

[39] Case 40. [40] Case 33.

purchased for current needs on the rising market at $4.85. The Commission dismissed the complaint because the first purchaser had merely taken advantage of advance notice of a price rise and bought at the *then* market; the market price having been available to all purchasers at all times.

X. Act Inapplicable: In four cases the Commission held that the Act was inapplicable. Two of these cases[41] involved sales to the Federal Government. The Commission stated that the Attorney-General of the United States had given an opinion stating that the *Patman Act was not applicable to sales to the United States.* In another of the cases,[42] publishers were charged with quoting higher rates for less than a full page of advertising space than for a full page. The Commission held that *advertising space was not a commodity* and thus not within the purview of the Act.

In another case,[43] a creamery company engaged in the manufacture and sale of butter was charged with paying 32 cents for cream in one town when the local market price in the same area was 26 cents to 30 cents, to the injury of other cream buyers. The Commission stated, in dismissing the case, that price *discriminations "in buying prices" were not denounced by the Act.*

XI. Justified Discrimination: In several cases the Commission states that a particular discrimination was justified.[44] Most of these cases were considered under the topic of "due allowance" because, in using the term, the Commission seems to have meant that the discrimination was predicated on actual differences in cost. However, in one case,[45] as in one part of the Kraft Cheese case, the Commission stated that a particular practice of a manufacturer was justified as *"a reasonable measure for the protection of the public and its business and good will."* The use of the term "justified," which, of course, does not appear in the Act, by the Commission indicates adoption of a rule of reason by the Commission in administering the Act. In the particular case before the Commission a manufacturer of medicines gave to wholesalers who purchased $100 or more of his merchandise a $2\frac{1}{2}$ per cent discount which was greater than the discount given to those who purchased in less quantities. And, in addition, *the manufacturer refused to sell in quantities of over $100 to those wholesalers who had in the past not purchased that amount of merchandise.* The reason for this was that the merchandise was materially injured by deterioration and for that reason the discrimination against the smaller purchasers was held "justified."

XII. Brokerage: There are only two cases[46] under Section 2 (c) of the Act, which deal with brokerage allowance. In the first case, an English manufacturer of chinaware, who had been selling direct in this country for many years, appointed an exclusive sales agent for the United States and paid the agent a brokerage on all sales made here. The evidence showed that the exclusive agent carried a large warehouse stock and employed salesmen who travelled throughout the United States. The Commission held that the manufacturer paid the brokerage to the sales agent for actual services rendered and that no buyer had any interest in the sales agency; therefore, the case was closed.

In the second case, a seller's agent was compensated in the form of a seller's brokerage fee. Over 90 per cent of the sales of the agent were to a single wholesaler. The agent was formerly a partner in the wholesale company, but sold out in 1934 and since that time had no connection with the wholesale house. The books and records and interviews failed to support charges that the agent was controlled by the wholesale company or was transmitting brokerage to it, hence the case was closed.

Conclusion

What has happened? The most sweeping observation is that the prophets of strict and harsh construction, minus any sort of "rule of reason," have at least temporarily been confounded. If in truth we may generalize, the Commission has welded together multiple-ply laminated rule of reason which cares for a large proportion of actual cases. This rule of reason, to judge from its application in the Kraft Cheese and Bird cases, would appear to save—or at least tend to justify[47] an otherwise illegal discrimination, (1) if the practice is indulged in by seller's competitors—"prevalent in the industry," (2) if seller's price exceeds that of his competitors; (3) if the recipient of the longer discount does not cut suggested resale price, but merely pockets a larger profit; (4) if the discount is a "reasonable policy in the promotion of competi-

[41] Cases 14, 42. [42] Case 9. [43] Case 47. [44] Cases 1, 3, 12, 16. [45] Case 24.

[46] Cases 45 and 53. There were other cases in which the Commission stated that sections other than 2 (a) of the Act were involved, but all of these have been included under "Miscellaneous," as there was no important substantive construction of the particular section of the Act.

[47] Thus, certain of the enumerated factual situations are considered by the Commission to demonstrate no injury to competition among manufacturers, others to demonstrate no injury to competition among retailers.

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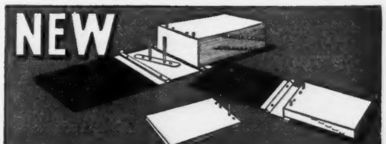

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tion" designed to encourage purchase in large enough quantities to make the system of distribution "economically possible;" (5) if the advantage of the favored customer is only a slight portion of the total business done; (6) if the purchaser may practically buy in advance of needs far enough to get the next larger discount; (7) if the discount causes no diversion of trade because it exerts no perceptible influence upon resale prices; (8) if profit margins on the goods in question for those who receive no discount are "adequate," indicated by such margins being as large as the average margin in the sale of the general class of products (groceries here); and (9) if, based on averages there is a "reasonable presumption" that differences in price were supported by differences in cost. It is hard to say how many layers of this rule of reason can or should be peeled off and dispensed with in particular cases different from this one. Generalization should be held in check until additional cases broaden the foundation. The Commission's rule of reason is the rule of insufficient injury.

The next most sweeping principle now sanctioned by the Commission is that omission to sell to small buyers while selling at a single price to various classes of large buyers, is defensible selection of customers and non-discrimination in any event because of the single price. This seems inevitable, though qualified strangely, as pointed out above, by the final point in the Kraft Cheese case.

Finally, in comparing costs, where break-downs are impracticable, the Commission has found a way through the use of "averaged" costs and "presumptions." All things considered, the Commission has demonstrated that the Act can be very reasonably administered, and it is to be hoped that subsequent decisions of the Commission and the courts will be as reasonable as these pioneer opinions.

Some additional conclusions could be drawn from the 64 informal cases, but these cases are primarily of value as a fund of fact situations actually confronted by the Commission, showing the Commission's mind at work, and furnishing a volume of additional evidence of the reasonable approach taken by the Commission.

OVER THE EDITOR'S DESK

CONTRIBUTORS . . . COMING NEXT MONTH

IN this month's analysis of how the Federal Trade Commission has interpreted the Robinson-Patman Act (pages 7-13) the authors find a consistent thread which is significant for the future. Out of it one may construct a tentative Commission philosophy.

Since 1929, when he was admitted to the New York Bar, Blackwell Smith has practised law with Wright, Gordon, Zachry, & Parlin, and since 1935 has been a member of the firm. From 1933 to 1935 he was associated with the NRA, successively as assistant general counsel, associate counsel, acting general counsel, legal advisor to the National Industrial Recovery Board, and general counsel. Joseph H. McConnell is also with Wright, Gordon, Zachry, & Parlin. With the NRA he was a section counsel for the legal division.

BLACKWELL SMITH

PREOCCUPATION with the rapid growth of the national debt sometimes obscures the fact that States, cities, and counties also have obligations which must be supported by the same people and the same resources. Edna Trull whose article (pages 14-16) should bring the total debt picture into better focus, is a graduate of Barnard and Columbia, where she received a doctor's degree in public law. Dr. Trull has been a member of the editorial staff of the *National Municipal Review* and was at one time associated with the Municipal Administration Service. Now State Analyst for DUN & BRADSTREET's Municipal Service Department, she is author of *Borrowing for Highways* and *Resources and Debts of the 48 States.*

PERHAPS the most trying task which confronted the authors of "An Appraisal of the Undistributed Profits Tax," published in the September issue, was to bring their analysis within the limits of thirty-two pages. With much reluctance most sections of the original manuscript were condensed; some were lopped off altogether.

One of the latter appears now (pages 21-22). As a member of DUN & BRADSTREET's Research and Statistical Division, Robert L. Tebeau assisted Willard L. Thorp and Edwin B. George in the original study.

JOSEPH H. McCONNELL

THOMAS F. WHITBREAD (pages 17-20) became a stamp dealer shortly after leaving Amherst, beginning in the New York metropolitan district. Three years there convinced him that paradoxically he was too near his customers to give them the personal service which they required.

Accordingly, he moved to the little village of West Cummington, Mass., and from there conducted his business by mail under a new service scheme. From customers' want-lists he makes

up selections which he sends twice a month. The plan works very much as a savings bank Christmas Club, and the selections sent clients are definitely

THOMAS F. WHITBREAD

budgeted to the amount which they wish to spend.

Mr. Whitbread is a member of the American Stamp Dealers' Association and editor of the stamp publication, *Hinges.*

SCHEDULED for this month, but withheld because of the immediate importance of the Robinson-Patman Act analysis, an article by Milton S. Mays discussing use and occupancy insurance will appear in the February number. Also planned for that issue are a report on business births and deaths for three six-month periods and an article on the highways of tomorrow by Frank T. Sheets, president, Portland Cement Association.

DUN'S REVIEW

Willard L. Thorp, *Editor;* Norman C. Firth, *Managing Editor and Business Manager;* Raymond Brennan, Edwin B. George, Walter Mitchell, Jr., A. M. Sullivan, *Associate Editors;* J. A. D'Andrea, *Statistician;* Clarence Switzer, *Art Director;* H. C. Daych, *Advertising Manager.*

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More detailed breakdowns of those statistical data originally compiled by the publishers—business failures, bank clearings, building permits, wheat and other grain supplies, and price indexes which are summarized and interpreted each month in DUN'S REVIEW (see pages 33, 36-38)—are published monthly in DUN'S STATISTICAL REVIEW, tables only, no text, $1 a year; $2 outside the United States.

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INVENTORIES: Leading articles by special contributors, from Warner to Hillman and Doughton to Landis.

OTHER CURRENT ASSETS: Special articles on subjects such as the business of travel, poetry, prints, photography, and health.

LIABILITIES

NOTES PAYABLE: To one contributor for a wrong middle initial; to an art gallery for a transposed credit-line; to the readers for a wrong chart legend.

OTHER CURRENT LIABILITIES: The date of publication, now about the tenth of the month, which we hereby resolve to advance at least one week as quickly as possible.

CAPITAL AND SURPLUS*: The basic editorial purpose and policy of presenting and analyzing fundamental information, discussing arguments pro and con, but counting on the individual reader to make up his own mind.

* *Of course, we hope that our capital and surplus item, like that in the usual business statement, is no liability at all, but the basis on which a solid and useful structure can be built.*

Willard L. Thorp.

E D I T O R